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NEWS SUMMARY

GENERAL

Iran thrown into new crisis

Iran was thrown into a new constitutional crisis yesterday when the clergy dominated Majlis (parliament) stepped up its efforts to impose its own choice of prime minister on President Abolhassn Bani Sadr.

A list of candidates is now to be drawn up by a commission, but even this compromise was put in doubt by Ayatollah Khomeini's decision not to send a representative.

In Cairo, the former Shah of Iran was buried with the pomp and ceremony which President Anwar Sadat had promised. Back Page and Page 3

Carter threat

U.S. Senate sub-committee inquiring into the Libyan dealings of President Carter's brother Bill, might subpoena the President to testify. Kennedy and Carter, Page 4

Kagan to return

Gannex textile tycoon Lord Kagan is expected to be extradited from France to Britain tomorrow to face charges under the Theft Act.

Envoy recalled

U.S. recalled its ambassador in Addis Ababa at the request of the Ethiopian Government after steadily worsening relations.

Murder charge

Brentwood police charged Russell John Hart with the murder of TV wedding couple Steven and Hilary Burroughs.

Drugs man jailed

Crippled British student Gary Hayes, 24, was jailed for 12 years by a Greek court on charges of illegal use and sale of drugs.

Sakharov plea

Exiled Soviet dissident Dr. Andrei Sakharov called for a political solution to the Afghan crisis in a statement smuggled to Western correspondents in Moscow. Soviet MiGs, Page 3

Islands' freedom

New Hebrides islands became independent nation of Vanuaatu after 74 years of joint colonial rule by France and Britain.

False award trial

Edwin Hearn, 57, was sent for trial at Ipswich crown court charged with dishonestly obtaining a Queens Award for his former company Kina Holdings.

Cell hanging

Ian James Sherlock, 33, was found hanged in his cell at London's Brixton prison where he was on remand, charged with murdering his mother-in-law.

Test drawn

England scored 209 for nine declared in their second innings to draw the Fourth Test against the West Indies at the Oval. Peter Willey was 104 not out.

Heaven sent

Health officials are analysing mystery "droppings"—pellets about half the size of a pea—which are plaguing the Hampshire town of New Milton.

Briefly...

Gunmen shot and wounded an army general and killed his bodyguard in Madrid.

Angolan court sentenced 16 people to death for their part in a bombing campaign.

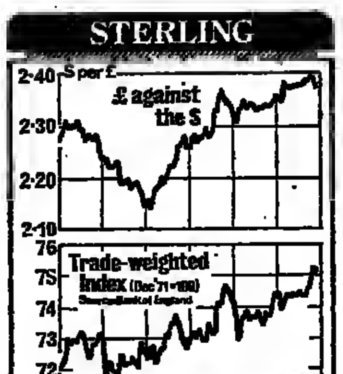
Soviet court sentened an unemployed man to eight years hard labour for an attempted hijack.

Former Burmese Premier U Nu, 73, retutrned home after 11 years in exile.

BUSINESS

Sterling off 1.6c; Gilts weaker

● STERLING lost 1.60 cents on dollar's strength and fears of a cut in Minimum Lending Rate this week. It closed at $2.3705, recovering from $2.3690. Its trade-weighted index was 75.1 (75.2). Page 27



● DOLLAR continued to improve against most major currencies following a further rise in Eurodollar interest rates and signs of a tighteing of U.S. money market rates by the Federal Reserve. The currency closed at DM 1.7590 (DM1.7440), and its trade-weighted index was 84.1 (83.9). Page 27

● GOLD rose $4 an ounce to close at a $648.50 in London. Page 27

● GILTS suffered after recent heavy investment demand and as a result of sterling's easier trend. The Government Securities index closed 0.45 down at 71.81. Page 36

● EQUITIES were firm, and the FT 30-share index finished 3.8 up at 489.7. Page 36

● WALL STREET was up 2.47 at 927.0 before the close. Page 28

● BRITISH National Oil Corporation announced a managerial reshuffle which includes the appointment of a new main board director for finance and planning. Back Page, Heather Field forecasts downgraded, Page 6

● UK CIVIL AVIATION Authority is to increase its charges by up to 30 per cent. In 1979-80, the authority made a net loss of £28.6m, nearly double that of the previous year. Page 7

● A JOINT appeal to the Government for greater financial flexibility over rising coal stocks is to be made by the National Coal Board and the Central Electricity Generating Board. Page 8

LABOUR

● OBSERVER journalists appealed to their U.S. bosses not to carry out the threatened closure of the newspaper. Page 11

● YOUTH unemployment could rise to more than 450,000 in 18 months' time, the Manpower Services Commission warned. Page 11

COMPANIES

● LOCKHEED, the U.S. aerospace company, suffered a net loss of $26.6m (£11.22m) in the second quarter after writing off $70m on its TriStar programme. Back Page

● NATIONAL WESTMINSTER Bank raised first-half 1980 taxable profits by £8.8m to £224.8m after higher bad debt provisions. Page 22 and Lex, Back Page

● GRINDLAYS Holdings, which has a 51 per cent stake in Grindlays Bank, saw first-half profits fall from £17.89m to £17.33m. Page 22 and Lex, Back Page

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES		
Arrow A	37	+ 3
Air Call	230	+ 10
BPB	249	+ 6
Brit. Cmwealth.	350	+ 12
Brown (J.)	60½	+ 2½
Caledonia Invs.	318	+ 10
Dowty	226	+ 7
English China Clays	112	+ 3
General Accident	324	+ 10
GEC	478	+ 10
Gt. Portland Ests.	270	+ 6
House of Fraser	141	+ 5
ICI	374	+ 4
Ladbroke	167	+ 4
Land Securities	368	+ 6
Pritchard Services	84	+ 5
Racal Electronics	270	+ 9
Royal Worcester	302	+ 9
Sothebys	425	+ 15
Thorn EMI	342	+ 12
Aran Energy	444	+ 14
Berkeley Expln.	188	+ 8
LASMO	685	+ 10
Anglo Amer. Crp.	700	+ 20
Elandsrand	485	+ 19
Malayan Tin	830	+ 35
Stilfontein	906	+ 26
UC Investments	585	+ 15
FALLS		
Treas. 12pc 1984	£98½	— ½
Treas. 13pc 2000 (£30 pd.)	£35⅝	— 1⅛
Bath and Portland	33	— 7
Feedex Agric.	41	— 5
Tern-Consulate	30	— 6
Vantona	89	— 9
Vickers	129	— 4

Government to give £25m for Inmos microchip plant

BY PHILIP RAWSTORNE

Mrs. Margaret Thatcher yesterday announced that the Government is to give the National Enterprise Board a second £25m to establish the first Inmos micro-chip production plant in this country.

The factory will be built in South Wales and is expected to provide about 2,000 new jobs in the next three or four years.

In further moves to stimulate industrial development and alleviate unemployment, the Prime Minister told the Commons grants of £6.1m are to be made to Dunlop to modernise its tyre factories in Birmingham and Washington, Co. Durham.

In addition, seven "enterprise zones" are to be established in older urban areas throughout the country, in which businesses would be offered generous investment allowances, tax and rating exemptions and reduced "red tape."

The designated zones are: the Isle of Dogs in London's dockland, Salford Docks and Trafford Park in Manchester, Speke on Merseyside, parts of Newcastle and Gateshead, Clydebank, the lower Swansea Valley, and inner Belfast.

Two other areas, one of them at Bilston, Staffs., are also being considered.

If successful the schemes could cost £20m in capital allowances and £50m in loss of tax and rates revenue.

Announcing the decisions during the Labour censure debate on the Government's unemployment record, the Prime Minister said: "We are prepared to help the transition to higher productivity and to more jobs.

"What we are not prepared tto do is buy a few extra jobs now at the expense of higher inflation and higher unemployment in the future.

"What we need now is a determination to make all our industries competitive, and this can only be achieved if we get inflation down."

In a spirited defence of the Government's strategy, Mrs. Thatcher told MPs: "It is no good dreaming about U-turns. There aren't any available."

The Government was doing what the country had elected it to do—"and this Government will have the guts to see it through," she declared.

Mrs. Thatcher reaffirmed the Government's main policy lines — tight monetary control, reduced public spending, no intervention in the exchange rate and further reductions in interest rates "as soon as it is prudent to do so."

"The Government is determined to establish credibility for sound financial management," she said.

Mrs. Thatcher acknowledged the pressures on industry. But she said: "Industries must compete by their own efficiency of both management and workforce. It is no good demonstrating to keep yesterday's jobs. We shan't succeed."

Unemployment could not be solved by an assortment of palliatives, she said. Trade union attempts to protect jobs, and living standards had all too often caused more unemployment.

Mrs. Thatcher warned that if pay settlements exceeded the Government's 7-11 per cent monetary targets, there would be further inevitable increases in unemployment. "Too much pay means too few jobs" she

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Youth unemployment rise forecast, Page 11
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Profit by 1984 for Inmos says NEB and £6m Government aid for Dunlop, Back Page

Recession will worsen CBI warns

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

A STARK warning that the recession which has hit industry during the past few months will worsen sharply during the autumn was issued yesterday by the Confederation of British Industry.

Manufacturing companies expect to shed more workers, and also forecast further sharp declines in their home and overseas order books and in their levels of output. Profits and liquidity will also come under pressure as companies feel less able to raise prices and maintain competitiveness.

The CBI is calling on the Government to reduce interest rates quickly, enough to surprise international opinion and lower exchange rates. But leaders of the Confederation acknowledge that even this would have little impact on industry's forecasts of deepening recession for the next few months.

At the same time, a reduction in companies' investment intentions has led the CBI's economists to revise their forecasts for capital expenditure. They now predict that after falling by over 5 per cent in the current year, the volume of private manufacturing investment will drop by "nearer 10 per cent" in 1981.

This is based on the CBI's quarterly industrial trends survey, published yesterday. It shows that the 1 per cent cut in interest rates last month has had virtually no impact on companies' optimism about the future.

Mr. James Cleminson, chairman of Reckitt and Colman and the new chairman of the CBI's economic situation committee, said: "This is as gloomy a picture as it is possible for anyone to paint. British industry is in recession and I fear things will get worse before they get better."

Calling for immediate cuts in interest rates, Mr. Cleminson said: "The Chancellor put the rate up last year in large jumps and he's now got to come down in the same manner — and the time is now. Unless he moves slightly ahead of what the market expects, sterling will remain at its very high levels."

Trying to sound one optimistic note, Mr. Cleminson added that the recession was at least forcing people to "make the connection between pay, productivity and jobs." People now understood the problems of inflation better. Considerably lower pay settlements now had to be negotiated this winter.

Two factors emerging from the survey which worry CBI leaders concern prices and the levels of stocks. The rate of price increases, particularly in export markets, is slowing sig-

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Details, Page 8

Denmark issues sterling bond

By Francis Ghilès

DENMARK yesterday became the first non-sterling area foreign borrower to arrange to issue in London a domestic sterling bond since Iceland in December, 1962. The Danish move follows the removal of of UK exchange controls last autumn.

The 25-year issue, which will raise £75m is structured like a partly-paid gilt-edged security and does not resemble a Euro-sterling bond issue, of which there have been a number in recent years. It is being underwritten by four merchant banks and placed by a London broker.

This latest bond follows closely on the heels of two sterling convertible Eurobonds for Japanese borrowers, and a sterling dollar convertible Eurobond for a U.S. corporation underlines the increasingly international role of the London capital market.

Last month Sr. Romero Kolbeck, Mexico's central bank governor, travelled to London to discuss the possibility of his country's raising long term sterling debt — something which would help to lengthen the average maturity of Mexico's foreign borrowing.

In one respect at least the Sterling bond for Denmark resembles a "Yankee" bond issue — that is a dollar denominated bond for a foreign borrower raised in the U.S. domestic bond market.

Denmark's £75m bond carries a coupon of 13 per cent and has been priced at £98 per cent to yield 13.28 per cent. This compares with yesterday's average yield on 25-year gilt-edged stock of 12.65 per cent.

Other features which distinguish this bond from a Euro-sterling issue include: much lower commissions, at ½ per cent, a much longer maturity period, the fact that the bonds are registered rather than in bearer form, and the essentially UK nature both of the placement and the underwriting group.

This includes Hambros Bank, Hill Samuel, Morgan Grenfell and S. G. Warburg. Most of the Danish paper is being placed by a broker, W. Greenwell.

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£ in New York

—	July 28	Previous
Spot	$2.3800-3810	$2.3965-3990
1 month	1.45-1.40 dis	1.42-1.37 dis
3 months	3.72-3.66 dis	3.71-3.66 dis
12 months	7.25-7.10 dis	7.35-7.20 dis

Strike pushes BSC loss to record £545m

BY ALAN PIKE

LAST WINTER'S national steel strike pushed the British Steel Corporation to a record £545m trading loss and the lowest level of production in its history.

These depressing results for 1979-80 announced by the corporation yesterday were accompanied by a warning from Mr. Ian MacGregor, its new chairman, that further cuts in BSC's operations must be expected.

Mr. MacGregor is reviewing BSC's activities completely. He will report to Sir Keith Joseph Industry Secretary, on means of reducing its cash requirements.

Mr. MacGregor said yesterday that his review of capacity would "relate it more accurately to the perceived demand for steel and the opportunities ahead of the corporation" and would involve "an examination of further retrenchment, stock-reduction and economies in capital expenditure."

The Government has accepted that BSC will not meet its cash limits for this financial year and will need additional financial assistance to continue trading.

Yesterday's losses were some £100m greater than Ministers had expected even a month ago. The £545m loss—compared with £309m last year and £443m in 1977-78 — excludes extraordinary items of £1.239bn associated with the write-down of fixed assets, closures and redundancies.

The corporation said last winter's steel strike accounted for more than £200m of the loss, and for decline of annual liquid steel production to 10.5m tonnes.

In the nine months before the strike, BSC achieved improvements in performance through manpower reductions, a higher rate of deliveries, and other economies. But their benefit was cancelled out by high inflation and the strong pound.

In its report on the accounts, Coopers and Lybrand, the corporation's auditors, said that "due to the continuing uncertainties of the steel market," they could not be satisfied that the amount of £1.673bn "at which fixed assets are stated after the write-down will be recoverable out of further write-down will prove unnecessary.

The latest BSC results will again raise speculation over when the Government will embark on a capital reconstruction of the corporation.

Provision for this will be introduced in the next parliamentary session, although originally it had been the Government's hope that a return to profitability could be achieved first.

Mr. Bill Sirs, general secretary of the Iron and Steel Trades Confederation, said yesterday that if the strike—"engineered and sustained by BSC"—had been avoided, and the capital reconstruction and revaluation of assets completed, the corporation's loss would have been not £545m but £185m.

"That is not too bad. It is better than many of our European rivals. Yet they are not cutting back in the same way as BSC." The corporation's position would be even better, said Mr. Sirs, if it enjoyed the same State subsidies as continental competitors.

Grim outlook for BSC, Page 7
Landing charges to rise, Page 7
Protests at BSC, Page 11

Post charges to rise

BY JASON CRISP

THE COST of sending a letter by post is set to increase by at least 2p early next year. And the board of the telecommunications division of the Post Office continued to argue yesterday about wide-ranging price increases of at least 15 to 20 per cent.

A final decision on postal increases has not yet been made. But it is probable that first-class post will increase by 3p early in the new year, while second-class post is expected to rise by 2p.

About 80 per cent of the costs of operating the postal services are labour costs, which have risen by 18 per cent this year.

Last night the board of British Telecom, the telecommunications division of the Post Office, continued its discussions on how to allocate the sharp increase in tariffs, which will be necessary to cover its costs. It is considering the introduction of a two-tier system which would charge business users more than domestic customers.

The Post Office admitted some months ago that its £1.5bn capital expenditure plan would probably exceed its cash limits by at least £150m. Since then, members of the Post Office Engineering Union have been awarded pay rises of 20 per cent—with a further 1 per cent in December

Both the telecommunications and postal divisions of the Post Office are required to give the Post Office Users' National Council at least three months notice of any price increase. Last night the council expected to receive notification of a price rise in telecommunication before the end of the week.

Allegheny raises Wilkinson bid

BY ANDREW FISHER

ALLEGHENY LUDLUM of the U.S. announced a firm offer yesterday for Wilkinson Match, in which it already holds a 44.4 per cent stake, securing the UK company's agreement with terms considerably higher than expected.

Wilkinson's shares gained 20p yesterday on the London stock market, closing at 180p after returning from Monday's suspension once the full details of Allegheny's bid were made known.

Having said a few weeks ago that it was thinking of offering 168p a share, the Pittsburgh steel products and diversified industrial company is now prepared to pay 187p cash.

Allegheny bought into Wilkinson, the razor and match group, profits of which slid sharply in its last financial year in a controversial deal some two years ago.

The offer values Wilkinson at just over £64m, taking into account both equity and loan stock. On an ordinary share basis the full bid gives Wilkinson a value of £53.5m compared with £48m on the terms first mooted.

As well as the offer for the Ordinary shares Allegheny offers 62p cash for the £1 cumulative preference shares and £91 of floating-rate loan notes for each £100 of Wilkinson convertible loan stock.

Allegheny rushed out the initial statement of its intention to bid after Wilkinson shares rose sharply on rumours that the U.S. company was preparing a move.

The Stock Exchange is still investigating the circumstances of that increase about the start of July to see if there was insider dealing.

Having seen profits slide from £19m before tax to £14m in the 12 months to March 31, Wilkinson is chary of making profit estimates for the next two years.

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Cross-border communication, Gibraltar-style. Residents of the Rock speak to friends in Spain through the chain-link fence sealing the frontier

Spain drags feet over Gibraltar frontier

By Jimmy Burns, recently in Gibraltar

THE SPANISH Government is unlikely to reopen the frontier with Gibraltar before October at the earliest, even though both Spain and Britain decided earlier this month to continue negotiations on the British colony's future as agreed in Lisbon last April.

This view is gathering strength among senior Gibraltarian officials who, although not present at negotiations between Britain and Spain, have been informed fully by the British Government at every stage.

Sr. Marcelino Oreja, the Spanish Foreign Minister, and Lord Carrington, Britain's Foreign Secretary, agreed in Lisbon on the lifting of border restrictions first imposed by Spain 11 years ago. Both sides accepted that such a move need not be tied to any specific conditions at first and suggested last June 1 as the most likely date to open the gates.

Lasting agreement

At the time, Sr Oreja was reported won over to the British view that en open frontier would create the spirit of consensus necessary for a lasting agreement on some of the more complex issues. Under General Franco's rule, Spanish border restrictions were imposed to try to compel the local population, and Britain to accept Spanish sovereignty over the Rock.

In recent weeks, however, the Spanish Government has been backpedalling on the Lisbon agreement, apparently trying again to obtain political concessions before opening the frontier.

According to officials in Gibraltar, the Madrid Government is demanding that Spanish workers be granted equal status to their Gibraltarian colleagues as soon as the frontier opens.

Over the past year there has been a groundswell of pressure in the part of Spain immediately beyond the Rock known as the Campo de Gibraltar, not only for the frontier to open but for Spanish workers to be allowed back into Gibraltar.

The Campo today is an area of high unemployment and Spanish workers would like to take back the jobs they held in Gibraltar before the frontier was closed. The Spanish view is that equal status in terms of wages, taxation and ganeral job opportunities would make this possible.

However, Gibraltarian officials have told Lord Carrington that the local labour market is too complex and fragile for Spaniards to be granted unlimited access to it immediately after the frontier opens.

Equal status

One problem is the fata of the 3,000 Moroccans who replaced the Spanish workers after the frontier closed in 1969. Gibraltar has assured the Moroccan Government that these workers will be protected. Sr. Adolfo Canepa, Gibraltar's Minister in charge of economic planning, says that until Spain enters the European Community, Spanish workers will not have equal status to Gibraltarians and will face the same conditions as Moroccans.

Meanwhile, Sr. Jose Bossano the leader of Gibraltar's Labour party, the political group with the greatest influence among the local workforce, has declared his "total opposition" to any attempt by Spanish unions to open branches in Gibraltar. This would risk subverting Gibraltarian interests to Spanish industrial policy, he said, and could be used by Madrid as a form of political pressure.

On all fronts, a feeling of Deja vu is creeping into Gibraltar aptly epitomised by the latest summer craze: brightly coloured T-shirts with the inscription: "They're opening the frontier . . . mañana."

Support is growing for Greece's Socialist leader, writes **David Tonge** in Athens

Papandreou sheds his revolutionary image

AS HIS prospects of becoming Prime Minister increase, Mr. Andreas Papandreou, the Greek Socialist leader, is trying progressively to lay the belief that his PASOK party is a revolutionary one.

Six years ago he was proclaiming that if a left-wing party won the elections, it would oeed "clandestine groups of action capable of opposing the violence of the hourgeois"—a statement that his oppooents continue to band round todsy. But the visitor to his house at Kastri, under the pine trees north of a sweltering Athens, finds a man who is out to reassure the West that he is not the threat he used to be considered.

The change in his tactics is particularly evident towards the Europeao Community and NATO. Though he still says Greece should remain ontside both organisations, the new thrust of his arguments is on working with Community institutions to protect Greece's interests.

He warns that he might take steps "contradicting some of the rules and regulations of the EEC and leading to a reassessment and a restructuring of our relationship with the Community." But he also stresses that a government led by him would use its full weight at all levels in the EEC, that be intends to visit Brussels before Greece becomes the tenth member of the Community io January, and that he supports Spain's and Portugal's applications for membership in order to increase the strength within the EEC of the Mediterranean oiembers.

Equally, there has been a shift in the party's policy towards NATO from the calls before the 1977 geoeral election for an immediate ending of all links, to today's position that the dismantling of links and closing the U.S. bases in the country cannot he achieved overnight. Greece withdrew from the alliance's military wing in 1974. The present Government is pressing for re-entry but has run into problems with Turkey.

Elections have to be held within 15 months and PASOK's star is waxing strong. With the economy stagnating, a widespread desire for change is evident aod Mr. Papaodreou is its beneficiary. In 1977 PASOK won 25 per cent of the vote compared with the 42 per cent won by Mr. Constantine Karamanlis's New Democracy party. But Mr. Karamanlis is President now and the new Prime Minister, Mr. George Rallis, though able, does not have his charisma nor that of Mr. Papandreou. A large electoral swing is widely expected.

It is the possibility of power which is causing Mr. Papandreou, a man who has never minced his words, to set out to defioe bow a government led by him would hehave towards the EEC and NATO. After years of denouncing these organisations, he says, he has to avoid a crisis of expectations among his followers.

He has prepared the way by stating publicly that the U.S. no longer bas the ability to project its power as it did when, in his view, it contributed to the fall of his father's government in 1965, to the colonels' dictatorship and to the Turkish invasion of Cyprus.

Mr. Papandreou: emphasising the practical

He stresses the point in private, yet on the stump to the party faithful, he still danounces Western Europe as a "political and military extension of the U.S." The differences in emphasis between the private and public stands reflect both the need to satisfy the strong Left-wing in PASOK and Mr. Papandreou's owo mixture of Mediterranean socialist and practical politician.

But the growing weight given to the practical side is demonstrated by the stand he has developed on the EEC question. He continues to hold that the Community exploits peripheral economies like that of Greece, and he wants the issue of Greek membership to he put to a referendum. However, he says, this would not he on whether to break links with the EEC. Instead, the choice would be between Greece remaining a member or its developing a special relationship which would protect it in the fields of trade and capital movements. It is the latter which he supports, citing favourably the Community's agreement with Yugoslavia. However, he recognises that this could he blocked by Mr. Karamanlis who, as President, alone can call for a referendum.

W. Germany stems flood of fleeing Turks

BY METIN MUNIR IN ANKARA AND ROGER BOYES IN BONN

WEST GERMANY'S unilateral abrogation of its visa agreement with Turkey is expected to end what could he the biggest exodus of Turks from their homeland in recent times.

Some 100,000 Turks have applied for political asylum in the last 18 months. With the prospect of further applications, the West German Parliament was forced last month to approve the introduction of compulsory visas for visiting Turks. It will come into effect on October 5.

German officials say that Bonn consulted Ankara before the decision was made, and point out that the visa requirements also apply to Bangladeshis and Indians.

Bonn bas played a leading role in co-ordinating the West's financial aid programme for Turkey and stresses that the restrictioos do not breach EEC guidelines. Nonetheless officials admit that there could he "a degree of dissatisfaction" among Turks about the move which Ankara views as a breach of the spirit of its association agreement with the Community.

West Germany has been concerned about the growing number of Turkish "guest workers"—some of whom are working illegally—at a time when unemployment is increasing and economy shows signs of slowing down. Including families, there are 1.2m Turks in Germany at present.

Interior Ministry officials also say that visa restrictions will allow them to monitor more carefully the influx of Turkish extremists—especially the right wing "Grey Wolves"—who have been causing some anxiety to German authorities.

Also applying for asylum are the extreme leftwing activists (who, like the rightwing, claim that their lives are in danger in Turkey) Alevis, a sect of the Shi'ite branch of Islam, and Kurds. Both these minorities claim that they are being oppressed in their homeland. Few applications have been processed because formalities take between six and seven years.

Turkish and German authorities believe that the majority of the Turks who apply for political asylum in fact seek "economic asylum." Despite the huge western aid it has received this year to help it overcome its worst economic crisis Turkish unemployment stands at 20 per cent and is still increasing.

One German diplomat commented: "Perhaps a handful are really in danger of their lives. But the overwhelming majority are just running away from poverty and unemployment. They want jobs."

Turks started seeking political asylum in Germany in large numbers in 1979. A sharp increase occured this year. An average of 10,000 applications a month were received by German courts in the first six months. The Germans expect 25,000 applications between June and when the visa restrictions go into effect in October.

There are two reasons wby the Turks have cbosen Germany over other Western countries. Firstly there is a large expatriate Turkish community in Germany which can provide accommodation and guidance to the newcomers. Turkish workers in Germany mako up some 40 per cent of foreign workers. The second reason is the liberal German law governing political asylum.

Applications have to be processed by courts and proceedings take many years. Until their cases are finalised, applicants are entitled to residence permits and relief money.

Mr. Suleyman Demirel's rightwing minority government has called Germany's abrogation of the visa agreement "an unfriendly act" and demanded that the decision be "softened."

After visa restrictions are imposed the German embassy in Ankara does not expect the flood of applications to end. It is in the processing of renting more office space to handle an average of 600 visa applications a day.

TURKISH PRICE RISES SLOWING

THE WAVE of assassinations and riots in Turkey have obscured the Government's efforts to curb inflation. Recent figures suggest these efforts are succeeding, writes Metin Munir in Ankara. The wholesale price index went up by 2.7 per cent in June, the lowest rise in nearly 20 months.

Although the index shows a 61 per cent increase for the first half of 1980 compared with 40 per cent a year ago, the rate of increase has been slowing considerably. In January, the month Mr. Suleyman Demirel, the Prime Minister, announced his economic stabilisation measures, the index rose 9 per cent the following month. But since then, the monthly increases have been 4.4 per cent, 3.5 per cent, 2.9 per cent and June's 2.7 per cent.

Italy fears for tourism after kidnaps

By Rupert Cornwell in Rome

A RESURGENCE of kidnapping of foreigners holidaying in Italy is causing increasing alarm in the country's tourist industry, one of tha main sources of foreign exchange for the national economy.

Three days after the seizure in broad daylight of three young West German children staying with their families in Tuscany, a Swiss banker narrowly escaped the same fate yasterday when returning home from a beach barbecue close to San Teodoro in northern Sardinia.

Only the vigorous reaction of Sig. Dionigi Resinelli, a 39-year-old banker from Lugano, saved him from being taken prisoner by Sardinian bandits of the type which seized British engineer Mr. Rolf Schild and his family in August 1979.

But of the three West Germans there has been no word so far nor any demand for ransom. Police are dismissing theories that terrorists were behind the attack (an idea nurtured by the fact that the father of two of the missing children is a prominent West German television journalist). They tend to believe that a Sardinian gang which has previously operated in Tuscany was responsible.

So far, appeals by the Pope and the victims' family have been to no avail. But neither, happily for the Italian authorities, have there been signs of heavy cancellations of holiday bookings, after a summer which appears to have seen a decline from the record tourist levels of 1979.

The common belief is that the Tuscany episode may bave bean a mistake, that the kidnappera were aiming for members of the wealthy and aristocratic Corsini family, oo whose estate the West Germana had rented a villa.

Swiss resorts expect more foreigners

Stable exchange rates and an increase in domestic tourism are expected to result in a good summer season for the Swiss tourist industry this year, writes John Wicks in Zurich. In a survey conducted by Union Bank of Switzerland almost all resorts expected as many, it not more, visitors than last year. Greater numbers are expected particularly from West Germany, the Benelux countries and Britain.

£1.3bn advanced to banks by Bundesbank

By Kevin Done in Frankfurt

THE BUNDESBANK, the West German central bank, yesterday fixed definitively the exteot of its latest move to improve the liquidity of the West German banking system at DM 5.4bn (£1.3bn). This sum will be made available to the banks against securities for 25 days at an annual interest rate of 9.2 per cent. This compares with a current Lombard rate (charged on short term loans against securities) of 9.5 per cent.

This fresh action to increase banks' liquidity, the first sign of a slight easing of the Bundesbank's tight monetary policy, expires on August 26.

Malta trade deficit

Malta's visible trade gap last year grew to an all time high of M£119.8m (£149m), an increase of M£30.2m over the previous 12 months, writes Godfrey Grima in Valletta.

Sakharov calls for a neutral Afghanistan

BY DAVID SATTER IN MOSCOW

DR. ANDREI SAKHAROV, the exiled Soviet dissident leader yesterday called for a political solution of the Afghan crisis based on neutralisation, and warned that failure to settle the issue could affect the course of history for decades.

In his proposal, written in Gorky, the city to which he has been banished, Dr. Sakharov called for a ceasefire in Afghanistan and the replacement of Soviet forces there with UN troops, to be followed by free electioos. During a transitional period, the Government of Mr. Babrak Karmal would be replaced by a temporary council formed by representatives of the Karmal Government and the Afghan guerrillas.

Dr. Sakharov also proposed that all Afghans wishing to leave Afghanistan should be allowed to do so, and that the members of the UN, including the Soviet Union, should guarantee them political asylum.

The plan called for the neutrality and independence of Afghanistan to he guaranteed by the permanent members of the UN Security Council and Afghanistan's immediate neighbours.

Dr. Sakharov warned that the world was on a precipice, and that "continuation and further intensification of military activities" could have "catastrophic consequences."

Dr. Sakharov also appealed in his statement for Elizabeth Alexeeva, the fiancee of his stepson, to be allowed to emigrate. He said the fact that she has not been allowed to leave the country for two-and-a-half years meant she had become a "hostage."

He said he considered the "threats, blackmail and slander in the Soviet Press" directed against Miss Alexeeva, who lives with Dr. Sakharov's wife, Yelena Bonner, in their Moscow flat, to be an additional form of pressure against himself.

Austria is likely to approve arms for Chile

By Paul Lendvai in Vienna

DESPITE DOMESTIC protests Austria is expected to honour a Sch 2bn (£66m) arms order by Chile to Steyr Daimler Puch. Chancellor Bruno Kreisky and Herr Karl Sekanina, the metal union leader who is also Minister of Transport, have apoken ont in favour of selling 100 light tanks and 300 machine guns to Chile.

Under Austrian law, arms sales must he approved by the Government after consultation with the Ministries of Foreign Affairs, Defence and Interior. A formal request has been made by the company and a decision is expected soon.

Dr. Kreisky, holidaying in Mallorca, told Austrian Radio yesterday by telephone that be will approve the deal provided the Chilean Government gives appropriate guarantees that the weapons will be used solely for defence and not in internal conflicts.

Legacy of colonial mistrust for Vanuatu's rulers

BY PHILIP BOWRING IN HONG KONG

THE CONDOMINIUM of the New Hebrides came to an end at midnight in much the sama circumstances as it came into existence 75 years ago—an uneasy and mistrustful compromise between British and French interests.

To the leaders of the republic of Vanuatu oow falls the task of repairing the fissures created by a dual system of colonialism.

The South Pacific island group of 100,000 people has bad the misfortune to he the living embodiment of the differences in attitude and Government between the British and French colonial systems. That such a comic-opera dual rule, involving separate police forces, separate schools, separate courts, separate legal systems, has not created even more havoc thsn it has is due to the fact that dual sdministration has often meant no administration in practice.

In recent weeks the remote and normally peaceful islands have bean in the headlines of the world's Press hecause of the bow-and-arrow rebellion on the largest island, Espiritu Santo, led by the bearded figure of Jimmy Stevens.

The rebellion continues and demonstrates the key problems of the islands: the division between the elected, primarily English-educated Government and certain French speakers and their colon supporters, the inability of the British and French to co-operate, and tha illiteracy and backwardness of some parts of the territory.

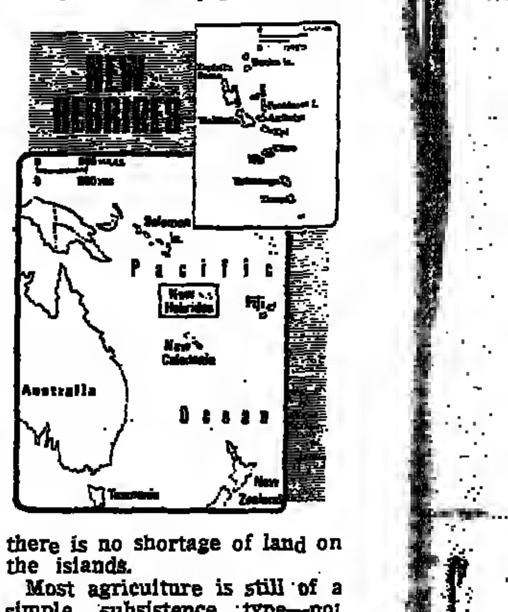
But Vanuatu bas strengths as well as problems. It has a governing party, the Vanuaaku, which is united, well-organised and popular. It won 68 per cent of the vote on a 90 per cent turnout in elections last November.

The party, whose leaders are primarily English-speaking and Presbyterian mission-educated, has pursued a single-minded campaign for independence in the face of French hostility and British indifference. It is led by a quiet, friendly, hut determined Anglican priest, Walter Lini.

Despite the Anglophone-Francophone argument, the new nation is also united by a common language, Bislama, a Melanesian pidgin similar to that spoken in Papua New Guinea.

Hitherto, what the Government has lacked [illegible] and administrative forces to help it govern. These have been denied to them by British and French disagreement. Now, with independence, the Lini Government is free to seek assistance where it can.

The Santoa crisis has been a diversioo from the problems of establishing a unified administration and finding ways of raising revenue to reduce reliance on the former colonists. At present the main export is copra, produced mostly on small foreign-owned plantations which have been the object of some nationalist hostility even though there is no shortage of land on the islands.



Most agriculture is still of a simple subsistence type—not that subsistence is a problem in this tropical garden.

Among new economic activities, tourism has potential. The new state has unspoiled lagoons, underwater coral gardens, palm trees, and delicious coconut crabs. It bas the remanants of U.S. wartime airbases—the battle of the Coral Sea was fought from the New Hebrides and the islands were the setting for "South Pacific." All told there are plenty of attractions for Australian tourists, once a direct air-link is established after independence.

The tax haven and offshore banking business in Vila, the capital, should grow with improvements in communications. Finally, there are the fish and other resources in the oceans which lie within the 200-mile zone of the island group which straddles an area 400 miles long and 150 miles wide.

Marcos seeks approval for budget of £3.1bn

BY OUR MANILA CORRESPONDENT

PRESIDENT Ferdinand Marcos yesterday asked the interim National Assembly of the Philippines to approve a budget of 54.8bn pesos (about £3.1bn) for next year. That is about 13bn pesos more than the current budget.

The largest single head of expenditure, 25.4bn pesos, or 46.5 per cent of the total, will go to economic services; 13.1bn pesos will be spent on social services; 6.9bn pesos on general public services; 5.3bn pesos on peace and order; 3.9bn pesos on loan amortisation and interest payments.

The seven Ministries with the biggest appropriations are: defence, 7.1bn pesos; education and culture, 3.8bn pesos; energy, 2.3bn pesos; public works, 2.3bn pesos; public highways, 2.1bn pesos; health, 1.8bn pesos; human settlements, 1.1bn pesos.

The Government estimates revenue next year at 45.3bn pesos. The Government plans to borrow 9.5bn pesos to cover the gap between expenditure and receipts. Tha revenue projection itself is based on a number of new taxation measures.

Warning by Zimbabwe farmers

BY OUR SALISBURY CORRESPONDENT

A WARNING about the future of commercial agriculture in Zimbabwe was made last night by Mr. David Spain, president of the Commercial Farmers Union which repesents more than 5,000 white farmers. Mr. Spain told the union's congress that new investment in commercial agriculture bad fallen by 50 per cent over the past three years. Short-term borrowing by farmers for seasonal crop finance had more than doubled over the sama period.

Mr. Robert Mugabe, Zimbabwe's Prime Minister, is to address the congress today.

Bonn setting the pace for Europe's Middle East peace bid

BY ROGER BOYES IN BONN

King Hussein is due to begin talks with Chancellor Helmut Schmidt in Bonn today, as the European Community steps up its efforts to help find a solution to the Palestinian problem.

KING HUSSEIN of Jordan arrived in Bonn last night and thus became the second Middle Eastern visitor in a fortnight to interrupt Chancellor Helmut Schmidt's rain-soaked holiday in northern Germany.

Rarely has Bonn seen such a flurry of Middle East-orientated activity. The King's visit, for example, comes only days after that of Mr. Chedli Klibi, Secretary-General of the Arab League, who discussed with the Chancellor the European initiative on the Middle East and the Middle East mission of M. Gaston Thorn, the president of the European Community Council of Ministers which started yesterday. Last month King Khaled of Saudi Arabia arrived in Germany with seven of his Ministers, and again the main theme was: bow can the Europeans co-operate with the Arabs in finding a solution to the Palestinian problem?

So far, there have been few concrete answers. The fact is that the European Community's powers of persuasion over the Arab states are limited. But what is remarkable is how Bonn is rapidly breaking out of its inhibitions on Middle East policy, and is coming to play a leading role in formulating European policy towards the Arab nations.

It was, for instance, Herr Hans-Dietrich Genscher, the German Foreign Minister, who last year propagated the view that the Palestinians had a "right to self-determination." It was a useful form of words—Bonn had slways maintained that East Germany be given a similar right—which was taken up readily enough by President Valery Giscard d'Estaing during his tour this year of Arab countries. Herr Genscber's comments drew sharp criticism from Israel, and Germany insisted that it was simply following the European line. But German officials admit now that, far from following the pack, Bonn has been resolutely setting the Community pace on the Palestinian issue, sometimes riding tandem with Britain, sometimes France.

Until recently, Germany had taken a strictly functional approach to the Palestinians. But this view—"If there is a problem, it can only be solved by talking to everybody concerned"—was considerably broadened by the Middle East declaration from the European leaders at Venice last month. The declaration called for a comprehensive peace settlement based on Israel's right to exist within secure borders, the right of the Palestinians to self-determination, and the need to associate tha Palestine Liberation Organisation with any final agreement.

The policy restraints on Bonn have not gone away. Mr. Menahem Begin, the Israeli Prime Minister, made a point of singling out Germany for criticism after the Venice declaration, and several pro-Israeli Social Democrat politicians expressed their regret that the Palestine Liberation Organisation had been explicitly mentioned. However, Bonn's main fear was that the U.S. would interpret Venice as a tacit criticism of the Camp David process, which provides for a phased peace in tha Middla East based on reconciliation between Egypt and Israel.

Sensitiva to U.S. feelings, Germany initially opposed the introduction of a European resolution on the Middle East at the United Nations, on the grounds that it would deflect from the value of the Camp David process. But, after further consultation with the U.S., Germany radically shifted its ground and started 10 days ago to put pressure on the other European Community members to introduce a Community resolution (spelling out the Venice principles) at the UN special assembly last week. This change of policy was prompted by the realisation that the radical Arab states would introduce a resolution which would not mention Israel's right to exist. A Community resolution would, Bonn and the U.S. thought, sap support for the radical resolution, and prevent the isolation of the U.S. and Israel.

In the event, the European Foreign Ministers last week scotched the German idea, but M. Thorn made a statement to the UN Assembly reiterating tha Venice principles.

Two principal, inter-related factors underpin Bonn's more confident policy on the Middle East. First, there is an overriding fear that the impetus for a Middle East peace will be lost in the tortuous period of the U.S. presidential elections. Herr Schmidt has already made clear that he considers that the Palestinian problem is as potentially explosive as the Soviet invasion of Afghanistan. Indeed, the problems are linked.

There is a need, German officials stress, to strengthen the balance of power in the Gulf states, and thus contain Soviet ambitions. Yet there is a degree of pessimism about how this strengthening can he achieved — except through increased trade with such countries as Iraq—unless other Arab countries are involvad. The Euro-Arab dialogue can thus also act as a bridge between the Atlantic Alliance and the Gulf states. But the basis of a Euro-Arab dialogue is a common language on Palestine.

Tha second element in the equation is the economic interdependence between the oil producers and tha Europeans. Germany depends almost totally on imported oil, and this is expected to be reflected in current account figures to the tune of a DM 25bn (£6bn) deficit. Saudi Arabia, Bonn's principal oil suppliar, has made Bonn a direct loan of over DM 5bn, and considerably more has been borrowed indirectly from Arab countries. Germany is also trying to encourage Arab purchases of German products and Arab investment in German companies, in an effort to recycle some of the surplus Arab funds.

Both King Khaled's visit and Mr. Klibi's talks with the Chancellor left the impression that Bonn is rather favourably regarded by many Arab countries.

Much depends on the outcome of the U.S. presidential elections. If President Jimmy Carter is returned to power, the U.S. should be able to take a more active role much sooner than if Mr. Ronald Reagan is elected. Through the European Community initiative, however, Bonn bopes the Community will have considerably more leverage with the U.S. and could persuada Washington to put more pressure on Israel to withdraw from the occupied territories. If Mr. Reagan becomes President, it is believed there will be at least a six-month run-in period before any movement on the Middle East — which would effectively prolong the time-span of the European initiative.

For the Europeans, the real diplomatic skill will he deciding when exactly to step out of the fray and let the U.S. take up the baton again. Bonn officials believe the Community has assessed its limitations realistically — a 12-month Euro-Arab initiative is not, by any stretch of the imagination, going to destroy decades of Arab-Israeli and inter-Arab distrust.

War wounds take longer to heal.

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Egypt's President Sadat (right) in Field Marshal's uniform, escorts Iran's former Empress, Farah Diba, ex-President Nixon and ex-Crown Prince Reza Pahlavi at the Shah's funeral in Cairo yesterday

Sadat keeps pledge to Shah and makes an Islamic point

BY ALAN MACKIE IN CAIRO

THE FORMER SHAH of Iran was buried in Cairo yesterday with the pomp and ceremony which President Anwar Sadat had promised. Mr. Sadat, sweating profusely in his Field Marshal's uniform in a temperature of 90deg.F, led the cortège on foot, from the Abdin Palace, where the Shah's body lay in state overnight, through the dusty backstreets of the medieval city. The procession ended at the Rifai mosque, the traditional resting place of Egypt's last kings.

Units of the armed forces, followed by some 60 wreaths, preceded the horse-drawn gun carriage which bore the Shah's bier draped in the imperial Iranian flag.

Heading the procession with Mr. Sadat, and looking completely composed, was the Shah's widow, Farah Diba, with their elder son, former Crown Prince Reza, as well as the former U.S. President, Mr. Richard Nixon, and ex-King Constantine of Greece.

The U.S. was represented officially by its Cairo ambassador, Mr. Alfred Atherton, France by its ambassador, M. Jacques Andreani and Britain by its chargé d'affaires Mr. Nicholas Barrington.

Israel's ambassador, Mr. Eliahu ben Elissar, made a surprise last-minute appearance and King Hassan of Morocco sent his Minister of Court Affairs, Moulay Hasseh Alaoui, despite Mr. Sadat's declaration that no other Arabs were wanted.

For all Mr. Sadat's protestations that the funeral was a private affair between Egypt and an old friend, there is ample evidence that it was carefully planned to make a political point. One of the many banners displayed along the route summed it up: According to Islampic principle we bid the Shah farewell."

The idea that Egypt alone is keeping alive the true spirit of Islam, has a certain local appeal. A bystander told me: "We love everyone, Americans, Iranians, Israelis . . . and we want to live in peace. Referring to Ayatollah Khomeini, he used the most perjorative Islamic terms to describe an infidel.

There has been no discussions in the Egyptian Press of the Shah's policies in Iran. Newspapers here have dwelt exclusively on the fact that the Shah came to Egypt's aid in the war of October, 1973.

OECD REPORT ON AUSTRALIA

Oil and minerals promise 10 years of steady growth

AUSTRALIA SEEMS poised for a decade of sustained economic growth based on large-scale energy and minerals development, according to the latest Organisation for Economic Co-operation and Development report published today. But shortages of skilled labour are a potential obstacle, the report warns, and future growth could be jeopardised by any repeat of the wage and salary explosion which contributed to higher unemployment and low growth in the second half of the 1970s.

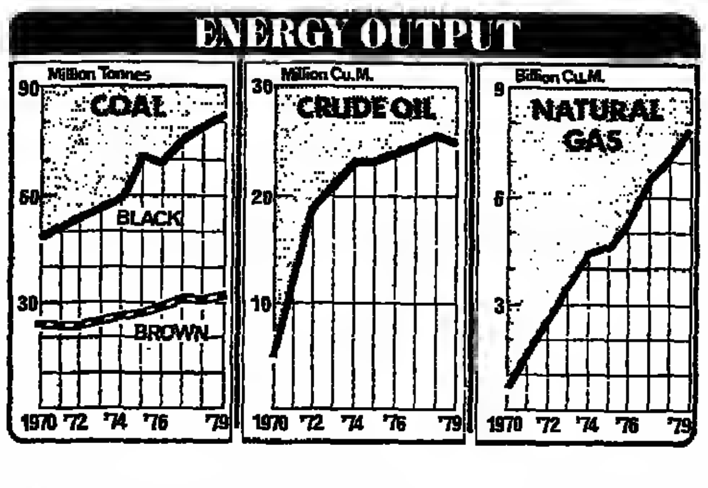
The report's general optimism recognises the contribution made by the Government's restrictive monetary and economic policies which have helped to reduce unit labour costs, increased Australia's international competitiveness, and led to a substantial improvement in the external balance. The current external deficit fell from just under A$3.5bn (£1.7bn) in 1978 to A$1.7bn last year. This trend seems to be continuing. The report blames external factors for the recent increase in inflation, but said the outlook is for a slowdown in price increases from the current 10.5 per cent. It also notes that employment prospects are improving as large-scale investment plans get under way.

"The cost/price competitiveness of the Australian economy has improved substantially over the past few years, which partly explains the rapid growth in manufactured exports," the report says. Total exports of manufactures last year rose by 13 per cent in volume. Competitiveness in this sector is closely related to overall employment prospects, due to the capital-intensive, low-employment nature of the other main export sectors—minerals, energy and farm products.

The report warns, however, that should labour shortages and higher wages lead to what it calls "domestically generated cost/price distortions," then "much of the painful process of reversing earlier factor share imbalances would have to be faced again."

Restrictive monetary and fiscal policies, curbs on public sector spending and less than full inflation-indexation of wages have been key components of government policies aimed at providing a breathing space for private sector profitability and investment.

The beneficial effects of higher world energy prices for Australia, rich in resources and energy, plus the improved investment climate, have led to ambitious plans for investment in minerals and energy.



Australia is one of only five Organisation for Economic Co-operation Development countries which have a positive energy balance, and is the member country with the largest absolute energy surplus. What is more, the report adds: "The overall energy situation is considerably stronger than that suggested by the current degree of self-sufficiency, as present production levels bear little relation to known reserves . . . the range estimated from the Bureau of Mineral Resources data is from almost 1/600 for coal, 1/120-30 for natural gas and about 1/10 for crude oil."

Although energy is both cheap and abundant, government policy has been to align domestic prices with international levels.

The report praises this policy as the "essential basis for an efficient energy policy." It points out that the growing cost of transporting raw materials and energy worldwide will by itself ensure Australia a considerable competitive advantage. The forthcoming investment boom will differ from the 1960s' mineral development, in that much new investment will be in such energy intensive mineral projects as aluminium smelting.

Thanks to its natural resources and international competitiveness, "Australia is better placed than many other countries to absorb the consequences . . . of weakening prospects for the world economy," the report adds in its conclusion.

Nevertheless, the international recession will be felt through "a reduction of export prospects, a continued rapid increase in import prices, a fall in the terms of trade of 5-6 per cent in 1980 and some uncertainty in the capital account of the balance of payments."

Wages and salaries are expected to rise by 12.5 per cent this year, from 9.75 per cent in 1979, while overall gross domestic product growth is expected to stabilise at around 2.5 per cent, the same as in 1979. Growth will accelerate to around 3.5 per cent in the first half of 1981 as investment projects gather pace. The current external deficit is expected to fall to A$ 1.25bn from A$ 1.7bn last year.

The report ends on a cautionary note. The major investment projects now planned will lead to large inflows of foreign equity and debt capital, a substantial increase in private fixed investment, substantial investment by goverment and public enterprise in infrastructure, utilities and energy, and a high level of export receipts and associated remittances.

All this could lead to growing inflationary pressures, and the report advises that "the inflation risk will be lessened the more rapidly the long-term policy of reducing protection is pursued." This task, it adds "would be rendered less difficult by the lowering of import barriers in partner countries on exports of most importance to Australia"—a clear reference to Australia's current dispute with the European Community.

By Anthony Robinson

Ghana clamp-down on cargo line

BY OUR SHIPPING CORRESPONDENT

PRESIDENT Hilla Limann of Ghana has assumed personal responsibility for the management of the State-owned shipping company, the Black Star line, and called in the Ghanaian navy to control the ships.

The Government's actions follow a long strike and the breakdown of discipline in the country's shipping line which has led to the bulk of the fleet of 20 ships lying idle at Ghanaian ports. The company has run out of money, lost most of its senior management and many of its vessels have been arrested at foreign ports for non-payment of dues.

The Government has been investigating the affairs of the Black Star line for the last couple of years. With the breakdown of discipline many of the ships' officers were using the vessels to trade on their own behalf and this has led to difficulties for other companies participating in the UK-West Africa Conference (UKWAL).

It is understood that a subsidiary of a German shipping company, Deutsche Afrika-Linie has been asked to take over the management of Black Star. However, the financial details have not been settled and in the interim the Ghanaian navy has taken control.

Black Star is a member of the important UK/West Africa Lines joint service which handles the bulk of the UK traffic between the two areas. As a result of Black Star's problems shippers have been threatening to send their goods by non-conference operators.

Mr. Peter Earlam, chief executive of the conference, yesterday welcomed the move to restore order and discipline at Black Star. He said that he had been informed of the Government's intentions 10 days ago.

The Government has dismissed Black Star officers who had been on strike. The officers wanted salary increases of between 70 and 100 per cent, payment in foreign exchange and 100 days a year holiday. Foreign crews will now be recruited to sail the ships if necessary.

President Limann said yesterday in a radio broadcast that he had dismissed the shipping line's officers who had refused to sail during a seven-week dispute and accused the officers of "holding the country to ransom" over their wage demands.

About 15 Black Star vessels are currently idle in the country's ports, six of them loaded with crucial exports including cocoa beans and cocoa products, shipping officials said.

President Limann said the Government prosecutor and police would be called in to investigate allegations of malpractice by officers.

The management dismissed striking officers before, but the Transport Ministry rescinded the dismissal orders when it seemed likely a few days ago that agreement had been reached to end the strike.

Fourth day for Johannesburg garbage strike

By Bernard Simon in Johannesburg

RUBBISH BINS were overflowing in Johannesburg yesterday and streets were strewn with litter as a strike by municipal workers entered its fourth day. About 4,500 workers, a third of the council's workforce, have stopped work in support of demands for wage increases and recognition of their trade union.

Civic leaders met Mr. Fanie Botha, the Manpower Minister, in Pretoria yesterday to discuss the strike. The chairman of the city's management committee said after the meeting that no decisions had been taken.

The management committee has refused to meet the Black Municipality Workers' Union, which organised the strike and claims to represent 9,000 of the municipality's 15,000 workers. The authorities favour another union.

Violence continued in the eastern Cape yesterday. Two buses were set on fire in Port Elizabeth and police fired birdshot to control crowds in a township.

Soviet MiGs and gunships suppress Afghan mutiny

BY K. K. SHARMA IN NEW DELHI

SOVIET MiG fighters and helicopter gunships have gone to the rescue of the Afghan Army to help put down a revolt, according to western diplomats in the Indian capital.

Two contingents of Government troops in the Ghazni region south-west of Kabul are understood to have gone over to the rebel forces last week. The fighting which followed was reported to have been the fiercest clash between the Government forces and the rebels since the invasion of Afghanistan by the Russians last December.

The revolt, led by a senior Afghan commander, forced the army to summon Soviet help and scores of MiG-21s and helicopter gunships were used before the rebels and mutineers were quelled.

The 14th Division of the Afghan Government forces and another unit at Kowt-Ashrow joined the rebels and suffered heavy casualties in the retaliatory action.

The revolt is believed to be linked with the factional fighting between the Parcham and Khalq groups in the ruling Communist Party which is gathering momentum daily. Diplomats say the commander who led the revolt belonged to the Khalq faction which is being ruthlessly suppressed by President Babrak Karmal. The commander's defection took place after he had been stripped of his command.

AP reports from New Delhi: Armed tribesmen have shot and killed a policeman in India's troubled north-eastern state of Tripura in an attack on a police camp. The tribesmen are said to want independence from India.

Reports reaching the capital yesterday quoted a police official as saying that about 20 tribesmen, armed with shotguns, bows and arrows and heavy knives, launched the attack at Bogahil, about 40 miles north-east of the state capital, Agrtala. Three other policemen were wounded.

Kennedy and Carter bargain over delegates

BY DAVID BUCHAN IN WASHINGTON

BACK-DOOR negotiations are now taking place between key aides of President Jimmy Carter and Senator Edward Kennedy to try to prevent next month's Democratic convention becoming a political blood bath that could destroy the party's chances in the autumn election.

There will still be a fight between the two rivals, made more acerbic and uncertain by the new moves to let convention delegates keep their options open and possibly allow a third candidate to emerge.

But Mr. Paul Kirk, the Kennedy political director, said yesterday his candidate was pushing for delegates to be given more time to debate the crucial rules change, proposed by President Carter to lock up his nomination on the first ballot with his large majority of 2,000 nominally committed delegates. In return, the Kennedy forces are ready to drop some of their demands on policy issues, Mr. Kirk said.

Yesterday Mr. Jim Wright, democratic Leader in the House of Representatives, came to the President's side in predicting that the move by rank and file Democratic Congressmen to open up the New York convention would "fizzle out."

Vice-President Walter Mondale, one of those now mooted to supplant both Mr. Carter and Senator Kennedy as a compromise unifying candidate, has also tried to rule this out as firmly as possible. But Mr. Edmund Muskie, the Secretary of State, has remained cagey in public about his possible eleventh-hour candidacy while Senator Henry Jackson has shown frank interest in emerging as a dark horse candidate.

"The committee for an open convention," set up this week by junior Democratic Congressmen, worried that the emerging row over Mr. Billy Carter's links with Libya could drag President and party down in another "Watergate," has raised some $200,000. Its aim is to persuade as many of the 3,331 delegates it can reach in the next two weeks that their prior commitments to Mr. Carter or Mr. Kennedy should not bind their choice.

Support for this has come from two Democratic governors, Mr. Hugh Carey of New York and Mr. Richard Lamm of Colorado. Whether their view has wider support from more of the 31 Democratic governors will become clear at their long-planned summer meeting next week.

No end in sight to U.S. actors strike

BY DAVID LASCELLES IN NEW YORK

THE STRIKE of U.S. actors moves into its 10th day today with little sign of an end to the deadlock which has brought the U.S. film industry to a virtual standstill. Several locations abroad, including Britain, have also been affected.

The strike began at midnight on July 20, and involves nearly 10,000 members of the two leading acting unions. A spokeswoman for one of them, the Screen Actors Guild, said yesterday in Los Angeles: "We're digging in for what could be a long fight."

The strike is over pay, but the central issue is compensation for productions destined for new types of outlets like video cassettes, pay TV and cable TV, for which there is, as yet, no established procedure.

The unions originally wanted 12 per cent of the takings, leaving out the initial salary, and then scaled this down to 6 per cent. The producers countered with an offer of 3.6 per cent, but hedged this about with conditions which the unions say makes the offer meaningless.

There are other outstanding issues as well, like basic rates of pay. But neither side is prepared to discuss these fully until the video and pay TV problem is resolved.

The actors are particularly adamant about this because they feel they were duped in negotiations 20 years ago for another innovative trend: the showing of films on TV. "We are determined not to let this happen again," said the SAG spokeswoman.

The actors are mounting demonstrations headed by famous faces outside the big Hollywood studios. Warner Brothers was the target last week, and 20th Century Fox will be the next one on August 5.

At the moment, no further talks are scheduled between the two sides.

Immigration officers see arrested Iranians

WASHINGTON—U.S. Immigration officials have been called in to interview dozens of Iranians still being held here because they refused to give their names after being arrested during demonstrations.

District of Columbia police said 169 Iranians, mostly supporters of Ayatollah Khomeini, were arrested on Sunday on misdemeanour charges following clashes with police and anti-Khomeini Iranian demonstrators.

Although they could have been released upon producing identification and paying a small fine, most of the demonstrators refused to give their names, police said.

The first group of demonstrators appearing in court tossed a bloody flag on the defence table. The demonstrators, who pleaded not guilty as "John Doe," claimed they were mistreated in jail but prosecutors said their wounds were from Sunday's protest.

Judge John Hess set bail at $250 for each demonstrator, with the condition that they identify themselves before being released. He scheduled the trial for August 18.

The demonstrators were warned that they could lose their visas by refusing to co-operate with police, according to officials of the Immigration and Naturalisation Service. About 50 pro-Khomeini Iranians who were not arrested began a hunger strike in their support.

Belaunde frees Peruvian Press

By Doreen Gillespie in Lima

PERU officially returned to a Democratic Government on Monday when Sr. Fernando Belaunde Terry was sworn in as constitutional President before the newly reopened Congress and almost 100 delegations from foreign countries and international organisations.

The inaugural ceremony ends 12 years of rule by the armed forces, who ousted Sr. Belaunde in a coup towards the end of his first term of office in October, 1968. President Belaunde, 67, leads the Accion Popular Party and was re-elected in a landslide victory against 14 other candidates on May 18.

In a 60-minute message to the nation, he promised to uphold the constitution and to restore human rights and freedom of the Press. Yesterday he returned seven daily newspapers expropriated in 1974 by the military Government to their original owners. Legislation will also return two television stations to private ownership.

Peru's new President has taken over a country still in the grip of an economic crisis. Sr. Belaunde said Peru's high inflation, which he estimated would reach 70 per cent this year, was the result of uncontrolled overspending by the previous regime.

Although his speech gave a broad outline of his Government's plans, he did not announce detailed economic policies.

These are to be announced next month by Dr. Manuel Ulloa, the new Prime Minister and Minister of Economy and Commerce.

President Belaunde said, however, that the copper, zinc and iron mining industry will be the key to Peru's economic recovery, generating foreign exchange to pay off the country's "excessive foreign debt," now standing at nearly $8bn. He said State companies which are operating efficiently will continue to be operated by the Government, if Congress agrees, and that medium-size and small scale mining (which is mainly in private hands) would be promoted.

The President said the minerals marketing system (handled by Minероperu Commercial, the State marketing company) would be reviewed to ensure maximum efficiency. He added that foreign capital would be necessary to develop new mining projects.

President Belaunde's message stressed education, health and housing as main priorities, as well as increased agriculture—mainly the development of jungle land and irrigation projects.

Japan exports 55% of car production in first half

TOKYO — Japanese motor vehicle exports soared by 37.9 per cent in the first half of 1980 to a record 2.93m vehicles, the Japan Automobile Manufacturers' Association announced yesterday.

Exports in the six month period represented more than half of total production, which the association last week said also rose to a record level of 5.28m.

These exports were valued by the association at $12.46bn (£5.26m), including spare parts, a sharp rise of 31.7 per cent compared with a year earlier. The sharp rise in exports is likely to intensify calls for export reductions among Japan's major trading partners.

In the first half of 1980, exports to the U.S. market jumped 32.2 per cent compared with a year earlier, to 1.25m

Exports to the EEC went up 24.6 per cent, including a 48.3 per cent rise to West Germany and 14.6 per cent to Britain.

On a monthly basis the rise in exports was less dramatic. June's 514,900 vehicles were only 3 per cent more than in May, though almost 35 per cent above the 1979 June figure.

The association said that in June the Japanese share of the U.S. market stood at 21.9 per cent which—though this was high compared to the 7.5 per cent share of the American market taken by European cars—was below May's record of 23.4 per cent.

The proportion of sales in West Germany was 15.5 per cent while in Britain Japanese manufacturers took 12.9 per cent of the market.

The Middle East continues to be an expanding market for Japanese manufacturers who pushed their exports there up 60.8 per cent in the six month period, with Saudi Arabia accounting for a large number of the 284,700 vehicles shipped to the region.

In London, unofficial figures showed that in July, Japanese car manufacturers outstripped the national maker, British Leyland with 18 per cent of sales compared with Leyland's 17 per cent. Datsun alone was said to have taken 12 per cent of the British market.

Reuter

● Japan's share of the fully-assembled imported car market in Australia climbed to 84.4 per cent in the year ending June 1980, up from 76.1 per cent the previous year, AP-DJ reports from Canberra.

● Anne Hope writes from Detroit: The world could have a glut of small cars within five years, Mr. Masataka Okuma, vice-president of Nissan, told the World Congress on the motor industry in Detroit. He said there would be increased production from traditional motor manufacturers, but also from Brazil, Mexico, Korea and Taiwan, as well as the Soviet Union, Poland and China.

Mr. Okuma added: "In the U.S. Japanese imports are perceived as a threat but to Japanese car-makers what is frightening is the tremendous scale of resources U.S. manufacturers have at their disposal. In the next five years the American 'big three' will invest $80bn (£33bn) to develop small cars. This investment will be a heavy financial burden for U.S. makers but it will arm them with sufficient competitive strength to threaten our existance."

Davignon in Washington talks

WASHINGTON — Viscount Etienne Davignon, the European Community's Commissioner for Industrial Affairs, will be in Washington today to discuss steel, cars and other international trade issues with Carter administration officials.

U.S. International trade negotiator Reubin Askew will meet Davignon and Community aides today to discuss trade problems. "Obviously, this will include steel," a U.S. official said.

During his Washington visit, Viscount Davignon also plans to discuss steel issues with representative Charles Vanik, chairman of the House Ways and Means International Trade Subcommittee. Both would like to see the Carter administration to resume the trigger-price system for steel imports.

● U.S. fact-finding missions checking on steel prices in seven Western European countries as part of a major U.S. steel import inquiry are due to complete these projects by August 14.

The U.S. Commerce Department. Investigating dumping charges by U.S. Steel against West Germany, France, Britain, Italy, the Netherlands, Belgium and Luxembourg. Teams of experts have been sent to EEC countries to verify prices and costs of the European producers.

Carter administration officials said it is still too early to predict whether the findings of these missions would provide leverage, to restore the "trigger-price" system for steel imports.

The EEC and Japan are both awaiting to see how the Carter administration resolves the steel import problem, but it may take until early September to clarify this.

AP-DJ

Boost for Mexico-Brazil ties

BY DIANA SMITH IN BRASILIA

THE THREE-DAY State visit to Brazil of President Jose Lopez Portillo of Mexico is expected to give a strong boost to efforts by both countries to complement their industries and to increase exchanges of raw materials and manufactured goods.

The visit began on July 28. It marks the end of a year of intensive negotiations between Brazilian and Mexican enterprises striving to overcome previous ignorance of one another's industries and mineral resources and to pinpoint important deals. Oil, inevitably, looms large in the aspirations of the Brazilians, who depend on foreign crude for 80 per cent of their consumption—but the budding relationship between the two covers a wide range of possibilities that should, in a few years' time make them particularly active partners on the Latin American scene.

Two-way trade of $500m in 1979—compared with trade of only $30m a decade ago—shows that energetic efforts to strengthen commercial ties are already paying off.

One Brazilian industrial concern, Cofap of Sao Paulo, managed to sell $30m (£12.5m) of seamless steel tubing to Pemex (the Mexican state oil company) last year, while Brazilian businessmen hope to bite into a market that depends on the U.S. for 75 per cent of its imports.

Mexican businessmen seem less inclined to investigate the Brazilian market — but the Brazilians hope that President Lopez Portillo's visit will spur on the hundred or so Mexican business representatives accompanying him. Substantial agreements are in the offing for sales of Brazilian iron ore and bauxite, and purchases of Mexican copper concentrate, zinc and sulphur.

Mexican and Brazilian officials say both countries want to build up their partnership to reduce trade and technological dependence on the U.S.

DC-11 prepared for take off

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

MCDONNELL DOUGLAS has taken a major step forward in its plan eventually to launch a new 175-seat twin-engined jet airliner, to compete with the Boeing 757 jet. The new jet is called the Advanced Technology Medium Range (ATMR) transport.

The company, which is the parent of Douglas Aircraft, the airliner manufacturing subsidiary, has given Douglas approval to continue "advanced engineering and technical verification work" on the proposed airliner.

This releases millions of dollars (the exact amount is not revealed) to enable Douglas to complete all the detailed work up to the final "launch commitment"—which will only come when an order is won from one or more major airlines.

Another indication that Douglas is close to formally committing the ATMR to production is that it has renamed the project, calling it the DC-XX. When it goes into production, it will be called the DC-11.

Douglas is known to be close to an order from at least one major U.S. domestic airline—believed to be limited—probably for 30 aircraft with more on option.

The new jet will be a short-to-medium haul aircraft, seating 178 passengers in a twin-aisle cabin, in a 2-2-2 configuration.

In addition to new jet engines (Pratt and Whitney JT-10Ds), there will be other technological advances in the use of new materials, and fuel-saving design shapes.

Douglas is also discussing the possibility of international collaboration on manufacture of the aircraft, with European, Japanese and UK companies.

TRADE WITH FRANCE

Britain narrows gap despite strong sterling

BY TERRY DODSWORTH IN PARIS

THE RECENT polemics about British mutton exports to France have tended to obscure the fact that the French have been making greater progress in bilateral trade recently. During 1978 and 1979, France leapt ahead; by the end of last year, the UK's trade deficit with its neighbour over the Channel had reached almost £1bn, compared with £528m two years before.

This position might have been expected to have slipped further in France's favour this year because of the difficulties of exporting against a strong pound. The figures show exactly the opposite. Whatever British exporters may have been saying about the damaging effects of having a strong currency, it is not so far undermining exports to France. In the first four months of the year, according to the UK statistics, they rose by about 84 per cent—considerably more than the rate of UK inflation—to reach almost £1.2bn.

North Sea oil is only part of the story. UK companies have been putting additional efforts into exports because of the slump in their domestic market.

North Sea oil, as might be expected, has played a significant part in this reversal. Exports in the four month period rose by 80 per cent to almost £131m, while imports in the same category went up by only 22 per cent to £67.2m. In effect, the oil "gap" in France's disfavour has shot up from £17.6m to £63.6m.

Britain's fortuitous strength in the oil sector, however, is only part of the story this year. During the first four months, non-oil exporters from the UK raised their sales by 31 per cent. In the same period, French exporters lifted theirs by only 19 per cent, losing ground in overall value terms by an increase of £224m against a British advance of £245m.

It is impossible to evaluate from the figures how much of this improvement in the UK performance comes from price increases following this year's rapid inflation, as against an increase in volume sales or market share. But observers in France believe that UK companies have been putting additional efforts into exports this year because of the slump in their domestic market. Circumstantial evidence indicates that there has been a real advance in some sectors.

The hard-pressed British vehicle accessories industry, for example, has been among the best performers this year. Exports went up by almost 46 per cent in the first four months to £36m. Similarly, the civil engineering sector companies staged a big improvement, pushing up sales by 57 per cent to £22m, while both the works trucks and handling equipment manufacturers showed increases of more than 100 per cent, though on a much smaller base. Even Britain's agriculture has been doing quite well: despite the row about lamb exports, the UK has been steadily increasing its penetration of both the French live animal and meat markets.

By contrast to the UK performance, French exports to Britain this year have shown few sharp variations. Steel sales are up, reflecting the effects of the UK steel industry strike, and there have been some fluctuations in chemicals, where large seasonal variations are common. But the outstanding feature of the French exports has once again been motor vehicles, where sales have gone up by another 11.3 per cent to £171m in the first four months.

Vehicles, mainly cars, accounted for about 12 per cent of the £1.4bn in Britain's non-oil imports from France during the four-month period. The figures underline the outstanding performance of the French motor industry, as it has become the bulwark of the country's exports all over the world. Vehicle sales to the UK have become especially important. Last year Britain's deficit on vehicle trade amounted to £500m—half of the total imbalance with France, and this year the deficit was £151m at the end of April.

Whether the French car manufacturers can continue to increase their exports in the second half of this year, when the British economy is expected to go into marked decline, is one of the outstanding questions. At the same time, there must also be questions whether British industry can maintain its export performance in France after the summer holiday period, when the French economy is expected to hit an exceptionally sticky patch.

According to French Government forecasts, this economic slow-down should lead to a sharp deterioration in imports in the second half of the year. Industrial production, which held up surprisingly in the first half, is expected to go into reverse. This will probably reduce demand for imported capital equipment and unfinished goods: the French economy is notoriously inclined to suck in materials of this kind during an expansionary phase. In addition, French companies are expected to fall back on their home markets as the world economy stagnates, thus substituting their own products for imports in France.

There must be questions whether British industry can maintain its performance after the summer holiday when the French economy is expected to hit an exceptionally sticky patch.

In some sectors, like oil, Britain should remain well-placed. In others, like vehicle components, the fight for markets will become tougher as French industry itself follows the rest of the world into recession. But while the climate becomes more difficult for UK exporters, the same will be true for French companies selling in Britain. Exports are a two-way business, and it is the response to the crisis by companies on both sides of the Channel which will determine the final balance.

Mr. Michael Manley's Government is still managing to stave off the total collapse of the economy, writes **Canute James** in Kingston

Jamaica struggles to survive in a world without the IMF

MR. RALSON SWABY is one of the losers in Jamaica's dispute with the International Monetary Fund and commercial banks, which has had serious effects on the Caribbean island's economy.

Until recently, Mr. Swaby worked in a Kingston furniture factory, earning J$55 (£13) a week. But the island's lack of foreign exchange forced Mr. Michael Manley's Government to curb imports, and the squeeze on imported timber cost Mr. Swaby his job.

Garden work

He now subsists on gardening work two days a week in suburban Kingston. His common-law wife and their three children are supported by his relatives in Portland, on the north coast, who send food each week.

Mr. Swaby himself left there for Kingston seven years ago, seeking a better life. "I think I will go back to the country. At least I know I will not starve there," he said at the end of another day in which he failed to find a job.

The Jamaica Manufacturers' Association says that, since January, 78 factories have closed, adding 5,250 to the total of unemployed. Nearly a third of the labour force of 900,000 are now out of work.

Many others in Mr. Swaby's position have become small entrepreneurs. There has been a proliferation of small roadside shacks offering a range of items like cigarettes, home-made fruit juice, and imported rice.

Hope for improvement in the quality of life for most of the 2.1m population hangs on what the island's Government can do to regenerate the economy without help from the International Monetary Fund.

More problems were created for the already battered economy when Jamaica failed to obtain the $32m loan it expected from the U.S. and Britain. Jamaica has been surviving on a handful of small loans and slightly higher than expected export earnings.

The loans have helped to stave off the total economic collapse predicted since the Government last obtained assistance from the Fund nine months ago.

Mr. Hugh Small, the Finance Minister, said over the weekend that the British Government will not be honouring pledges made to Jamaica last year, and the U.S. will not be offering assistance which the Government was expecting. This, he said, will lead to further budgetary adjustments.

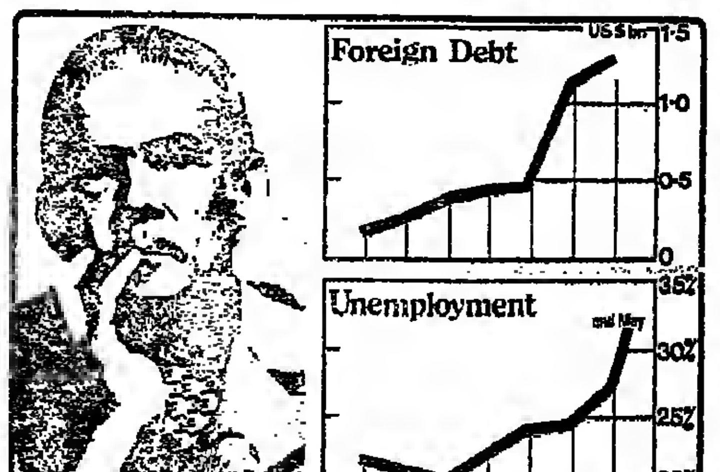
Jamaica's short-term debts now exceed foreign exchange reserves by $500m, and one of the actions Mr. Small will contemplate is further restrictions on imports.

Test case

Jamaica is being regarded as a test case of a country seeking a way out of an economic quagmire without the Fund's assistance, and without loans from international banks, which have said they will not help until Jamaica goes back to the Fund and obtains its "seal of approval."

The Administration earlier this year ended its talks with the Fund on a loan agreement, saying the conditions would lead to social and economic chaos. A previous agreement for $400m in loans over three years was aborted last December when the foreign exchange deficit was $100m more than the Fund said it should have been.

The island needs $430m in credits in the short term. Mr. Percival Patterson, the Foreign Minister, says more than half has been obtained. His calculations included $86m from Venezuela under an oil rebate scheme, but Venezuela's Congress has still not approved it. The Venezuelans have, moreover, made a payment of $10m under the facility.



The economy has also been assisted by earnings of just over $100m from bauxite and alumina during the first half of this year, and tourism has yielded $70m since January.

A Central Bank spokesman says reserves now in hand will guarantee some element of economic stability until mid-September. "After this, he says, "it will depend on the loan from Venezuela, in addition to earnings from bauxite. If the Venezuelans do not approve the rebate, then we will be in quicksand."

The stability which the economic planners are claiming is more apparent than real. The Government has had to adopt the economy to siege conditions. That the limited foreign exchange in hand has lasted so long is the result more of tighter fiscal management and a reordering of priorities than of an improving economy.

Oil imports

The Government has managed to maintain interest payments on its $1.3bn external debt—$450m from commercial banks and most of the rest to the fund—to buy oil, imports of which this year have been reduced to 16m barrels, 18 per cent less than last year.

The remainder is being used to import food, such as rice and flour, to ease shortages which were chronic earlier this year, and for raw material and machinery for the bigger factories, which employ large work forces, contribute significantly to government revenue and can earn foreign exchange.

Mr. Michael Manley, the Prime Minister, has said the economy needs total refinancing of $750m of its foreign debt to allow breathing space for economic reconstruction to begin. Mr. Small failed earlier this year to obtain substantial rescheduling of the debt to commercial banks. There was, however, a subsequent agreement allowing the island to "roll over" principal payments on 87.5 per cent of the debt, while interest payments on the total and principal repayments on the remaining 12.5 per cent are continuing.

Much hangs on the outcome of the general election, which it now appears may be held by the middle of October.

It is possible that whichever party wins will go back to the International Monetary Fund. Jamaica has not withdrawn its membership.

"This means that Mr. Manley is keeping the door open," says the Central Bank official. "The commercial banks are not willing to give any help without an agreement with the Fund being in place. And the fund is the only place where we can get quick cash in sufficient quantities, and cheaply, to keep things going. We cannot live for ever on commercial loans."

Foreign cars recalled

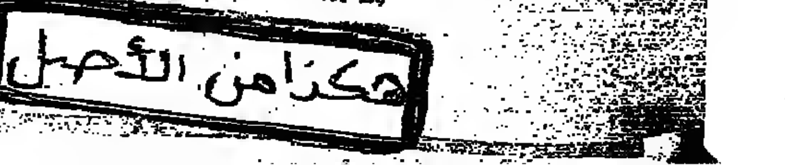
WASHINGTON — Four foreign car makers have announced the recall of a total of 152,287 cars for various defects, the U.S. National Highway Traffic Safety Administration reported yesterday.

Subaru has recalled 71,000 of its 1980 hard top hatch back saloons and estate cars because of a windscreen wiper problem. BMW has called in 66,000 1977-79 two-door 320 saloon cars to correct a defect in an accelerator control spring which could keep the throttle from returning to idle.

Fiat has recalled 13,000 1970 X 1-9 models because of potential engine hesitation that can result from petrol evaporation in the carburetter. Volkswagen has recalled 2,287, 1980 Vanagon models because of a potential defect in a heater exhaust pipe.

The Safety Administration also announced that Toyota Motor Company has paid a $10,000 civil fine for selling pick-up trucks with fuel tanks that did not comply with U.S. federal safety standards.

AP-DJ



Pressure on Lloyd's witnesses, says QC

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

PRESSURE HAD been put on two members of Lloyd's not to give evidence on behalf of underwriter and broker Mr. Christopher Moran, who faces disciplinary proceedings, a QC suggested in the Court of Appeal yesterday.

Two underwriters, Mr. Albert Archer and Mr. Ian Posgate, had said they would give evidence of bias against Mr. Moran on the part of former Lloyd's chairman Mr. Paul Dixey, a member of a Lloyd's committee investigating complaints against Mr. Moran. But when it came to the point neither would swear an affidavit, said Mr. Peter Littman, QC.

"The evidence indicates that members of Lloyd's are not very willing to come forward and give evidence against the official view," Mr. Littman went on.

He was continuing Mr. Moran's appeal against a High Court judge's refusal to grant a temporary order stopping Lloyd's going ahead with disciplinary proceedings against Mr. Moran.

The judge held that there was a "triable issue" on Mr. Moran's allegation that Mr. Dixey had been biased against him, but said that on the balance of convenience, it was not a case where an injunction should be granted.

Lloyd's is cross-appealing against the finding on bias.

Mr. Littman said that, according to Mr. Moran, Mr. Archer had first told him that he would swear an affidavit, then that he could not go through with it.

Mr. Littman read notes made in preparation for an affidavit by Mr. Archer, in which he had stated that Mr. Dixey had let him know that he (Dixey) had an intense dislike of Mr. Moran.

Mr. Posgate had stated in notes for his affidavit that he believed it very likely that Mr. Dixey had very considerable bias against Mr. Moran.

But Mr. Posgate had subsequently refused to swear an affidavit, said Mr. Littman. According to Mr. Moran, Mr. Posgate had said that he had been told by Mr. Charles Gibbs, then the deputy chairman of Lloyd's, that such an affidavit would be a considerable embarrassment to Lloyd's.

Mr. Peter Scott, QC, for Lloyd's, said that Mr. Dixey denied any bias or animosity against Mr. Moran.

The statements which, according to Mr. Moran, had been made by Mr. Dixey to Mr. Archer and Mr. Posgate, were extremely vague. Mr. Dixey did not recall having discussed Mr. Moran with either man.

Mr. Scott said that Mr. Moran had appeared before the investigating committee without making any protest about Mr. Dixey's presence on the committee. That in itself was sufficient to debar Mr. Moran from the court order he sought, said Mr. Scott.

The hearing continues today.

Racal technology pact

BY GUY DE JONQUIERES

RACAL ELECTRONICS is to exchange technology on data communications equipment with American Telephone and Telegraph Company and its research and manufacturing subsidiaries.

The agreement ends a protracted lawsuit initiated against Racal by Western Electric, AT and T's manufacturing arm, over alleged infringement of patents for data modems.

These are devices which convert digital signals into analogue form, suitable for transmission over a telephone line, and back again at the receiving end. Racal claims to be the second largest manufacturer of the devices in the world, with production exceeded only by AT and T.

Racal has agreed on a reciprocal arrangement to exchange licences on a royalty-free basis with AT and T, Western Electric, and AT and T's Bell Laboratories research centre.

The agreement covers existing patents and those to be issued to any of the participants in the next five years. The range covers multiplexing equipment and data terminals as well as modems.

N. Sea output may lag behind forecasts

BY RAY DAFTER, ENERGY EDITOR

RESERVE ESTIMATES of the Heather oil field in the North Sea have been downgraded in an exercise that has cast doubts on future UK production rates.

A new North Sea report, published by stockbrokers Wood, Mackenzie, shows that the Heather Field, operated by Union Oil, could contain only 90m barrels of recoverable reserves against 120m barrels estimated earlier this year. Last year the brokers, among the foremost North Sea oil analysts, were estimating Heather reserves to be nearer 150m barrels.

The Heather consortium—Union Getty Oil, Tenneco and Norwegian Oil DNO—and analysts accept that Heather is a complex geological structure. Wood, Mackenzie says that it is possible that ultimately the reserve figure could be boosted by development of small prospects close to the main Heather field.

Union Oil would not comment on the reserve estimates yesterday. But the operator's own uncertainties are reflected in the range of reserve figures presented in the Department of Energy's "Brown Book" of oil and gas statistics. These put Heather's reserves at 88m to 117m barrels.

Wood, Mackenzie says that in 1982 Heather's peak production rate will be nearer 30,000 barrels a day rather than the previously estimated 35,000 b/d. At the same time, it is estimated that Occidental's Piper Field will reach a peak output of no more than 90,000 b/d rather than the previously forecast 110,000 b/d. Like Heather, Claymore is a complex geological structure. Occidental has already reduced output from its Piper field, from 240,000 b/d to around 200,000 b/d to assess reservoir characteristics.

The brokers have analysed the production potential of each of the 16 fields expected to be on stream by the end of the year and concluded that the average 1980 production level could be 19 per cent lower than the forecast made 12 months ago.

Last summer it was thought that this year's average level of UK output would be 2.04m barrels a day—well in excess of domestic oil consumption levels. Now it is reckoned that the average will be no more than 1.66m b/d, slightly below the level for self-sufficiency. Output from 11 of the 16 commercial fields was expected to be lower than previously forecast because of development delays and reservoir problems.

Pipeline laid in record time

By Ray Dafter, Energy Editor

A NEW pipelaying technique has enabled Chevron Petroleum (UK) to instal 10.5 miles of gas pipeline in the North Sea in three weeks, a record time.

The pipeline forms part of the Ninian Field development project costing an estimated £1.57bn, one of the biggest field operations in the North Sea.

The pipe was laid between Ninian and the gas-gathering system which links fields around the Brent Field with the Scottish mainland.

Reviving the inner city by removing the red tape

Enterprise zones are to be established in seven derelict inner urban sites in Britain, Mrs. Thatcher announced during yesterday's censure debate in the Commons. They are Belfast, Lower Swansea Valley, Clydebank, parts of Newcastle and Gateshead, Speke, part of Greater Manchester, and the Isle of Dogs in London's docklands, reports Robin Pauley.

Mrs. Thatcher said two more sites might be announced later. One will be in London, where the decision to create an enterprise zone in the Isle of Dogs will be bitterly resented. It is a victory for Mr. Nigel Broackes, chairman designate of the docklands urban development corporation, who persuaded Mr. Michael Heseltine, Environment Secretary, to put a zone inside rather than outside the derelict docklands. This has been done at the expense of other strong candidates in London—notably Shoreditch, Wandsworth and Hammersmith. Dockland now has an Urban Development Corporation as well as the enterprise zone within its area, while the rest of London has neither of these means of attracting aid.

A VISIT to Asia and the Far East in 1977 gave Professor Peter Hall an idea which captured the imagination of Sir Geoffrey Howe, the Chancellor, and led him to ignore the advice of his civil servants and introduce the concept of enterprise zones in his last Budget.

Professor Hall, head of geography at Reading University and a former chairman of the Fabian Society felt all the traditional ideas about revitalising decaying inner urban areas had been exhausted, mainly without result, and dramatic and imaginative proposals were needed to attract entrepreneurs to the blighted spots of Britain's cities.

Singapore, Kowloon, Hong Kong had found answers and Professor Hall wanted "freeports" in Britain without customs or immigration controls and as much freedom to allow people to make money and generate new jobs as possible.

Many of those ideas have since been dropped but Sir Geoffrey liked the basic idea and felt an experiment to try to rescue derelic areas was worth while.

The plans attracted both widespread support and criticism, but all the local authorities chosen yesterday were certainly delighted—enthusiasm was a key requirement for shortlisting. "If you are not sold on the idea we will not force a zone on you," Mr. Heseltine told councils. None that had a chance voiced any criticism.

Mr. Evan Lewis, leader of Swansea City Council, said last night, its zone should add weight to the council's policies to revitalise the local economy and bring about a quick return on all the planning and preparation already undertaken by the council in the valley, which would be developed on the lines of an industrial park.

Provost William Johnston of Clydebank always insisted that the Singer site had the best claim in Scotland and probably Britain to an enterprise zone.

"Over the past 20 years we have lost 40,000 jobs here. Our unemployment is double the national average and we desperately need a new injection. An EZ is the ideal solution—a real boost," he said.

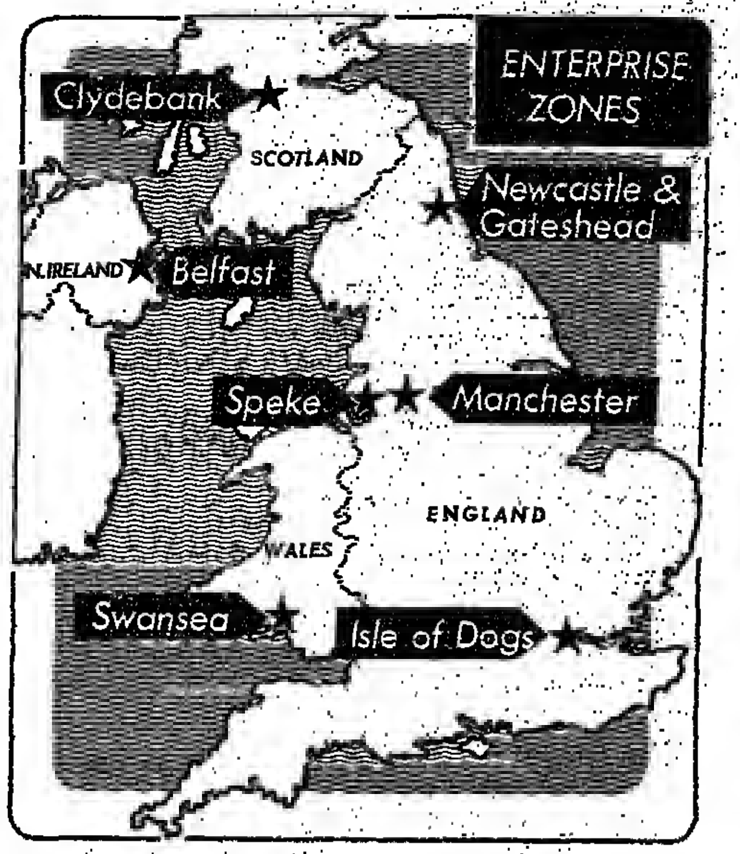
His successor, Provost Jim McKendrick, said: "With this blood transfusion Clydebank's fortunes are at last on the turn."

The idea of the zones, which will be not more than 500 acres each, is to remove governmental and bureaucratic restraints from enterprise and to give them as free a hand as possible. The experiment will run for 10 years initially and the only costing put on it so far has been £10m—an estimate of what the Government will have to pay local authorities to compensate for lost rates.

Companies within the zones will benefit from
- exemption from Development Land Tax
- exemption from all rates on industrial and commercial property
- 100 per cent capital allowances for commercial and industrial buildings
- simplified planning procedures
- exemption from the need for industrial development certificates
- exemption from Industrial Training Board requirements
- faster customs facilities.

The Labour Party has criticised the idea, although Labour councils were enthusiastic and control most authorities awarded zones.

During the committee stage of the Local Government Planning and Land (No 2) Bill, into which the enabling legislation for EZs was inserted, Labour members were scathing.



Mr. Roy Hattersley, Opposition environment spokesmen, said the scheme would provide no new jobs but would simply pull business into one area at the expense of another. It would attract the wrong type of business—warehousing and commercial undertakings rather than manufacturing and industrial activity. It would also put an intolerable strain on the infrastructure and the lives of local people.

Other members feared the areas would attract scrap metal dealers, warehouses, used car lots and sex shops—"possibly the only imaginable development which would be worse than the derelict sites themselves," one Labour MPs said.

But the Environment Department is determined to ensure that controls, particularly planning controls, will not be relaxed enough to allow such seedy results. All the laws regarding chemical and other pollution, for example, will be strictly enforced. And there will be a catch-all planning proviso ensuring that no proposed development constitutes a "nuisance."

The Confederation of British Industry has given a qualified welcome to the zones. Sir Raymond Pennock, CBI president, hopes the zones will demonstrate to business the benefits of working in an environment free of many of the usual constraints. But he feels the experiment is radical enough to need careful monitoring, with surveys of progress every two years.

Many of the anxieties about the zones have been drawn together by the Town and Country Planning Association. Its main objection has been the likely impact of zones on the local economy. The incentive to set up in a small area of a city may be a severe disincentive to set up in many other areas of the same city.

There is also the objection that areas on the periphery of the zones could be severely affected and commerce and industry already near the boundaries will be unfairly penalised.

There is little doubt about the validity of this claim. But any specially designated area has to have a boundary and therefore somebody will inevitably be just outside it; the same was true of new towns and partnership areas and will be true of urban development corporations.

Many developers, while welcoming enterprise zones as a worthwhile experiment, have doubts about their success in persuading industry and commerce to come to decaying and depressed inner city and urban areas, writes Andrew Taylor.

The main reservation, however, is that the fiscal and other benefits offered by the zones will not in themselves be enough to bring industry and commerce to areas with poor transport systems, inadequate housing and shortages of skilled labour and a history of poor labour relations.

Bus workers to vote on overtime reduction

FINANCIAL TIMES REPORTER

MORE THAN 600 drivers and conductors at the United Counties Bus Company in Northamptonshire will vote this week on a management proposal that they sacrifice four hours a week guaranteed overtime to help reduce the company's losses of £1m a year. The company is also planning to make 150 staff redundant.

The management says that if its proposal is rejected, the company will run into more serious financial difficulties, and possibly go into liquidation.

"We just haven't any more money left, and to save more redundancies the bus crews will have to do their bit. With the County Council having cut our annual subsidies, we are in a serious position," said Mr. Peter Brundle, the traffic manager.

Last month the crews refused to sacrifice a guaranteed eight hours a week overtime, and the new proposal is a compromise.

- Mann Egerton, the motor distributors group, is closing its premises at Wisbech, Cambridgeshire, with the loss of 20 jobs. The company blames the general economic recession together with reduced demand for BL cars.

Two-day week at Meriden motorcycle co-operative

BY JOHN GRIFFITHS

THE 460 WORKERS at the Meriden motorcycle co-operative have been put on a two-day week as they wait to learn if the Government will agree to waive nearly £12m of debt and allow a takeover of the co-operative by Armstrong Equipment of Hull.

Mr. Geoffrey Robinson, Labour MP for Coventry North-West, who acts as the co-operative's unpaid chief executive, said yesterday the co-op was building motorcycles to order on a week-to-week basis. "We have orders for about 30 this week."

He blamed the strength of sterling and depreciation of the yen for the falling-away of Meriden's business.

The last hope for Meriden's survival depends on whether the Departments of Trade and Industry decide to convince the Treasury that it is worth writing-off Meriden's debts and allowing the Armstrong takeover, as being no worse than liquidating the co-operative and possibly losing just as much.

Mr. Robinson said he hoped for a Government decision by next week.

Flintlock pistols sell for £9,500

SALEROOM

BY ANTONY THORNCROFT

A PAIR of flintlock presentation bolster pistols, made around 1825, was bought by Holland and Holland for £9,500 at Sotheby's yesterday in an arms and armour sale which totalled £116,837. Another pair, made in 1781, sold for £6,000 and an Italian pair of around 1690 realised £5,000. A Prussian garde du corps parade helmet of about 1900 went for £1,150 and a uniform of an officer in the West Leicestershire Volunteer Infantry of the early 19th century sold for £950.

Sotheby's first silver sale in Chester totalled £84,645 with top prices of £6,600 for an extensive Victorian crested Queens pattern tableware service of 235 pieces and £3,400 for a set of four George II table candlesticks by Eliza Godfrey. In the London book sale a first edition of Adam Smith's The Wealth of Nations sold for £8,100.

In other sales Phillips disposed of clocks and watches with a top price of £4,000 for a late 17th century walnut and marquetry longcase clock by Thomas Stubbs while Christie's South Kensington had a successful costumes auction with a top price of £520 for a Chinese embroidery.

UK NEWS

Michael Donne reports on the Aviation Authority deficit

Landing charges to rise

THE UK Civil Aviation Authority will put up many of its charges by between 20 and 30 per cent this autumn, to meet rising costs and a possible further deficit in the current financial year.

Sir Nigel Foulkes, chairman, presenting the authority'a *annual report for 1979-80* yesterday, revealed a net loss of £26.6m, nearly double that of £14.9m in the previous year.

The main reason for the increased deficit was a £12.6m loss on foreign exchange, compared with £2.6m in the previous year. This arose because the authority is paid in dollars for en route navigation services it provides for the *European air traffic control* organisation, Eurocontrol.

Sir Nigel said that on operations where the authority controlled its own charges — such *as air* traffic services at UK airports and over the North Atlantic, and in safety matters and economic regulation—there was a small profit of £81,000.

On nther operations wbere the authority cannot fully recover its costs, because of Government agreements (such as en route navigation services for airliners overflying the UK), or for social reasons (the Scottish Highlaods and Islands aerodromes), there was a net loss of £28.7m.

Sir Nigel held out no hope of charges being reduced in the current year, which he said was even tougher than the last.

"Once again, inflation and pay awards bave proved higher than we had forecast last year when fixing our 1980 "controllable" charges, and *again* we sball be obliged reluctantly to increase those cbarges this autumn."

The amounts would vary, but the authority would seek to get at least another £4.7m in revenue to cover losses that it could already see occurring.

As a result of higher charges the authority hoped it would be able to turn the prospective losses into a profit, but it nevertheless expected beavy losses on its "uncontrollable" charges —Eurocontrol services; and the operation of the Scottish Highlands and Islands aerodromes.

Sir Nigel was also critical of some changes in the Civil Aviation Act, now passing through Parliament, and especially that which threw onto the authority the burden of responsibility for aviation environmental matters.

The Bill, he said, would make the authority responsible for *minimising* the effects of aviation on the environment—for example in noise and the location of airports, "or any other cause" of environmental pollution.

"These are responsibilities which the authority views with misgiving. The impact of aircraft and airports upon the environment and upon the public is always controversial, there are *no* solutions, only palliatives and the decisions in the end to be made for political reasons.

"The CAA is a specialised organisation, trained and equipped to serve civil aviation. It is bard to see how a non-governmental body like ours can resolve the often incompatible claims of the aeroplane and the environmental objector.

"If these tasks are laid upon us we shall do our best to tackle them *competently*, but I fear thhat these political problems will find their way in the end back to Government desks, while we shall have laboured in vain and made few frieods in the process."

Sir Nigel said the Bill had been described as giving the authority much more power, by abolishing the guidelines given to it by the Government.

"This is not so. The Authority will still be bound by the objectives in the Act. Its policies will be developed in consultation with the industry it serves. It will have to state these policies explicitly and without the shield or encumbrance of a guidance document which can soon fall behind the times.

"Airlines will still be able to appeal against its decisions to the Secretary of State. More *responsibility* perhaps, but scarcely more power."

Exports of scrap rise after curbs are lifted

By James McDonald

EXPORTS OF ferrous scrap—which have been rising steadily since restrictions were lifted *from the* trade last September, totalled 1.401m tonnes in the first half of this year, worth about £80m, compared with 1.347m tonnes, worth about ahout £66m, exported during the whole of 1979.

UK scrap prices have followed the world pattern and have fallen about 28 per cent this year.

Figures published by the British Scrap Federation show the distortion caused in the first *quarter* by the British *Steel* Corporation strike and the return to a more normal pattern in the second quarter. But the April-June figures "are affected by the residual effects of the strike aod the general recession," says the Federatioo.

With BSC returning to production, bought in home scrap consumption *in steelmaking* in the second quarter, at 1.475m tonnes, compared with 664,500 tonnes in the first quarter which was consumed almost entirely by the private *steelmaking sector*.

The first quarter's figures illustrale the private sector's almost complete reliance on scrap, compared with BSC's use of large amounts of hot metal as well as scrap in the furnace charge. Total scrap consumption in the first quarter—bought in and arising in own works—was 862,600 tonnes, and crude steel production was 784,900 tonnes. In the second quarter scrap consumption was 2.5m tonnes and steel production was almost 4.190m tonnes.

There bas been a steady decline in scrap stocks held at steelworks as a result of their de-stocking policy.

Grim outlook for British Steel after year of £545m loss

BY ALAN PIKE

THE ANNUAL REPORT *which* yesterday announced the British Steel Corporation's £545m loss in 1979-80 appears nnder sober blue cover, compared with last year's more glossy, photographic presentation. But to convey a true impression of the problems confronting the industry the blue should perbaps have been edged in black.

In a few brief phrases, the section of the report reviewing the major features of the year manages to chronicle so many of the problems which beset BSC:

- More than £200m of the loss is directly attributable to the three-month-long national steel strike which, along with general low demand, left the corporation with the lowest output in its history in 1979-80.
- UK steel demand continues at a low level and is affected by import penetration in major steel-usiog industries.
- This led to the decision In Decemher to reduce liquid steelmaking capacity from 21.5m to 15m tonnes, with an enormous programme of redundancies and plant closures now in progress.

The report published yesterday appears under the name of Sir Charles Villiers who retired after four years as chairman of BSC at the end of last month. But, in case anyone should believe that the worst is now past for BSC, Mr. Ian MacGregor, the new chairman, made a *point* of *issuing* a statement of his own to accompany his predecessor's report.

In this Mr. MacGregor warned that the continuing *bleak* outlook for steel demand —in Europe as a whole and particularly in Britain—demanded that operating costs be reduced to conserve cash and achieve competitive pricing. Expenditure on raw materials and energy was being reviewed and "employment costs will have to be controlled with the *utmost* rigour."

This is a clear warning to the steel unions that last winter's strike has not reduced BSC's resolve to pitch future pay offers at levels which the severely-troubled industry can afford.

But there is more. Since becoming chairman a month ago Mr. MacGregor—armed with a strong mandate to bring down *the corporation's cash requirement* from Sir Keith Joseph.

PERFORMANCE OF IRON AND STEELMAKING DIVISIONS, 1979-80.

	Turnover (£m)	Loss after interest (£m)
Scottish	197	96
Scunthorpe	492	43
Sheffield	659	54
Teesside	405	137
Welsh	860	144
Tubes	435	34
TOTAL	2,787	508

Industry Secretary—has been energetically reviewing BSC's eotire operation.

There is little doubt that when be *reports* to Sir Keith shortly, Mr. MacGregor will be proposing a further reduction In capacity and jobs, on top of the 52,000 redundancies the *current programme* involves.

Options about where the next axe might fall—like the suggestion that still further jobs in South Wales will go, in spite of the *impact which* steel and coal industry closures are already having on that region's economy and social structure—remain officially undecided. But Mr. *MacGregor's* statement makes no attempt to disguise the likelihood of further cuts being required.

He says his review of *capacity will* "relate *it more* accurately to the perceived demand for steel and the opportunities ahead of the corporation. The present review will involve an *examination of further* retrenchment, stock reduction and economies in capital expenditure."

Last month, Sir Keith acknowledged that BSC will be unable to keep within its cash limit of £450m in the present financial year, and *accepted that* the Government might have to raise the corporation's funding by £400m or more. But this depends on Mr. MacGregor getting *to grips with* BSC's problems.

Yesterday's announcement of the *£545m* loss, after interest and taxation but before extraordinary Items, compares with a £309m loss in 1978-79. In addition, extraordinary items associated with write-down of fixed assets, closures and redundancies in 1979-80 amounted to £1.24hn.

BSC made no steel at all in the last quarter of *1979-80* hecause of the strike, ending the year with a totat output of 14.1m tonnes. Steel deliveries amounted to 10.5m product tonnes, *of* wbich *2.5m* tonnes were exported.

The report attributes the increased loss largely to the strike, pointing out that the *rate of loss* in tbe nine months before the dispute was comparable to that for the previous year. In this period BSC achieved benefits from a *slightly* higher rate of deliveries, manpower reductions, introduction of new low-cost facilities and other economies. But these were offset by increased UK cost inflation which could not be recovered in selling prices owing to weak market conditions and the stroog pound.

On the settlement which ended tbe strike, the report says that about 50 local bonus schemes covering about 160,000 employees bave been *negotiated*. Since the stoppage, there had been a good recovery in production areas and the re-establishment of a rapid and efficient service to markets.

Airlines told to justify new fares

AIRLINES seeking to raise their fares, either because of fuel price increases or for other reasons, will have to justify such rises before the UK Civil Aviation Authority will approve *them, writes Michael Donne.*

This was made clear in London yesterday by the Authority, which has ultimate responsibility for setting the levels of *all air fares* to and from the UK.

Although some airlines on the North Atlantic have decided to trim cheaper (Advanced Purchase and stand-by) rates this winter, they have also asked for permission to raise some of the dearer fares, such as first class, clnb class and economy rates, to meet rising costs.

The position has been complicated by an agreement among more than 60 airline members of tbe International Air Transport Association in Geneva, to seek rises of up to 7 per cent in all fares and cargo rates *world*-wide from *October* 1, to meet rising fuel hills.

This means that even those fares which the Atlantic airlines now want to cut may have to be raised *again*, unless they are prepared to lose money on them.

As things stand, the main two Atlantic airlines involved, British Airways and Trans World, are asking for a 13 per cent rise in the dearer fares, while keeping the Apex and stand-by rates down.

If the IATA-agreed rises are also taken into account, it *means they* will want rises of up to 20 per centin someof the dearer Atlantic fares, whicb is perhaps more than the Authority will accept.

The airlines claim the rises cover two separate fuel price rises. The 13 per centincrease is intended to cover fuel price increases up to last April, which the airlines have not yet beeo ahle to recover because of Government delays.

The new 7 per cent rise covers fuel price rises incurred *since April*, and other *rises* expected by Octoher 1.

The airlines say only bureaucratic procedures have prevented earlier fuel price rises being compensated for by dearer fares so far. The airlines *say it is* not *their* fault if the governmental hodies involved are overtaken by a series of fuel price rises that result in several fares increases being asked for all at once.

The Civil Aviation Authority is *in* a difficult position. At a time when it is planning further rises in its own charges to meet soaring hills, it will find it difficult to justify denyiog the airlines higher fares to meet their own higher costs.

At the same time, it is charged by the Government with trying to keep fares down and it will bave to find *a* compromise.

Airports to be taken to court over restrictive trade agreement

BY OUR CONSUMER AFFAIRS CORRESPONDENT

A RESTRICTIVE trade agreement covering landing charges and other fees operated by Britain's major airports, including Heathrow and Gatwick, is to be challenged at law by the Office of Fair Trading.

Mr. Gordon Borrie, director geoeral of Fair Trading, yesterday announced that the agreement would be *taken* to *the* Restrictive Practices Court to decide whether it was in the public interest.

The court is unlikely to hear the case until the spring of next year.

The agreement was first placed on the register of restrictive practices in May 1976. It was made between members of the Aerodrome Owners Associatioo, which includes members of the Joint Airports Committee of Local Authorities, and members of the Joint Airports Charges Committee. Together these organisations represent most airport and aerodrome owners in the UK.

The main restriction in the agreement is a recommended scale of cbarges and conditions. This includes landing fees, navigation services, passenger load supplements, and aircraft housing and parking cbarges.

Under the restrictive practices legislation such a restrictive agreement can be operated as long as it is registered unless the court rules otherwise.

If the Restrictive Practices Court decides the agreement must be ended, it could lead to increased competition between airports and possihly lower charges for airlines using their facilities.

Employers face shortage of numerate graduates

BY MICHAEL DIXON, EDUCATION CORRESPONDENT

EMPLOYERS are still having difficulty in recruiting arts and *social-studies* graduates for *jobs* in computing, sales and finance, the Standing Conference of Employers of Graduates reported yesterday at its annual meeting in Cambridge.

There are also sbortages of recruits with degrees in numerate subjects such as electrical and mecbanical engineering, pbysical sciences, computing and mathematics, according to the SCOEG.

But while the great majority of employers are maintaining recruitment of graduates despite the recession, at least four *companies have cancelled offers* of jobs made earlier in the year, said SCOEG members. And if the recession continues, there is likely to be a sharp fall *in demand* next year for people leaving universities and polytechnics without numerate skills.

Higher educational institutions are being asked to make plans to help non-numerate graduates next Summer by providing short courses to improve their mathematics.

Spode plans

Plaoning permission bas been granted to the Royal Worcester Spode works at *Stoke-on-Trent* to rebuild its factory as part of a modernisation scheme wbich will also provide land for a new supermarket.

Tesco coin appeal to aid RNLI

MORE THAN 500 Tesco stores throughout the UK are taking part in an appeal to encourage people to help the Royal National Lifeboat Institution by depositing their foreign coins in collecting boxes in the stores from Monday until the end of September.

Thousands will be going abroad this summer and coming home with loose foreign change. Individuals *cannot* exchange small amounts of currency but the RNLI is ahle to dispose of *the coins in bulk*

Commander Ted Pritchard, RNLI appeals secretary, says it is estimated that there is more than £20m worth of foreign coios throughout the UK. It needs £12m in 1980 to pay for its service whicb runs 200 lifeboat stations throughout the UK and Ireland.

UK NEWS

Minister defends UK fuel charges

By Ray Dafter, Energy Correspondent

CLAIMS THAT British Gas Corporation charges are penalising British industry have been rebutted by the Government.

Mr. Norman Lamont, junior energy minister with responsibility for the gas induatry, told oil analysts in London that in general there was no firm evidence to suggest that average industrial gas prices in the UK were higher than in sny other European country.

He was responding to complaints from industrialists—the Chemical Industries Association in particular—that high gas prices were forcing UK companies to be less competitive than their continental counterparts.

Mr. Lamont said that the average price paid in the first quarter by some 900 large industrial customers was 15.96p per therm. The sverage price for new and renewed contrscts was 22p per therm—a long way short of the 26-33 pence a therm claimed for new and renewed contracts by the CIA.

But Mr. Lamont conceded that the present average price was distorted by one "very cheap snd long-standing contract," agreed between British Gas and Imperial Chemical Industries. And he accepted that the average related to both firm and interruptible contrscts, whereas the CIA has been complaining particularly about rates charged for firm supplies.

"In general, there is no firm evidence that average industrial gas prices are higher here than in any other European countries," he said. Even if some British companies were for the moment paying more, their competitiveness should not be unduly impaired.

"Our best calculations suggest that in British industry gas for fuel use typically accounts for only a few per cent or less of the company's total costs," said Mr. Lamont. If that is right, even if the differential as against foreign competition were as much as 50 per cent—and I do not believe that to be the case—that would in general add well under one per cent to the selling priceof the product."

EEC figures showed that Britain was not out of line. The average price paid by large industrial consumers was less than the French, Italian, Dutch and Belgian tariffs. The same figures showed that in January companies in Dusseldorf, Frankfurt and Stuttgart were paying more than they would in Britain for renegotiated contracts.

The CIA last night stuck by its claims that UK companies were paying more for gas than Continental ones, and it said that Department of Energy officials now admitted this to be the case.

Government to review gas appliance monopoly

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

THE GOVERNMENT intends to give priority consideration to ways of ending the British Gas Corporation's monopoly of gas appliance retailing in the UK. Its options include selling off to private enterprise all 938 gas showrooms currently operated by British Gas.

The Government's review follows yesterday's highly critical report of British Gas's appliance retailing from the Monopolies and Mergers Commission. The report, which took more than two and a half yesrs to prepsre, is one of the most strongly-worded documents ever published by the Commission.

The Commission recommends either of two options ss a means of ending British Gas's retail monopoly. The msin option is for the hiving off of the showrooms to privata sector retailers. The Commission suggests that this could be achieved over a three-year period, during which time British Gas's retailing activities would be run down.

At the same time, the report suggests, "the resources of the retailing industry would be brought into plsy to develop, in co-operation with the manufacturers, a stocking snd distribution system for appliances and spares alike."

The second option is for a modificstion of British Gas's accounting procedures to restrict the use of its monopoly powers in appliance marketing, and to lessen its ability to subsidise appliance aales from its overall profits.

A third operation, rejected by the Commission, was to create a sepsrate trading organlsation along the lines of the present showrooms to carry out appliance marketing.

Mrs. Sally Oppenheim, Minister for Consumer Affairs, yesterday welcomed the report, which she said would be "swiftly examined with a view to taking appropriate action following full consultations."

Although the Government has not yet made up its mind on the issue, it is understood to favour at the moment the more radical course of hiving off the gas showrooms. This would be in line with its current policy in other nationalised industries.

British Gas said last night that it was studying the report in depth, and expected to hold detailed talks with the Government before any decision was reached. It also pointed out that in its evidence, the Corporstion had "consistently maintained that its retailing activities were in the public interest."

The Commission was clear in its conclusion that the gas appliance retailing activities of British Gas was a monopoly which operated against the public interest. "We are left in no doubt that these monopoly situations have largely contributed to the manufacturers' lsck of investment, inadequste commitment to technical or market research and development, and failure to promote exports," it says.

The Commission adds: "We consider that the Corporation exercises excessive control over the conduct and performance of the gas appliance industry."

It suggests that the effect of this dominance "has been to limit the number of independent outlets supplying gas appliances, and thereby to suppress competition, to limit consumer choice, and possibly to increase the price of appliances."

The report also points out the aggressive tactics used by some of British Gas's retailing staff in the regions to limit competition. These tactics included price-cutting to drive a competitor out of the market, and undermining public confidence in the safety of private retailers.

The commission says that although British Gas has been less aggressive to independent retailers since the investigation was started, "we cannot ignore the possibility that the Corporation may be tempted to employ again some of the commercial tactics which we have criticised."

The Commission does not come to a firm recommendation about which of its two main options should be implemented by the Government, since it acknowledges that this must be a political decision. But minority reports by two of the Commission's members favour the less radical alterative of changing British Gas's accounting procedures to stimulate competition.

Support for the less radical option also came last night from the Consumers' Association, which said that consumers did not like being subjected to such experiments.

The National Gas Consumers' Council criticised the report for paying too little attention to safety, energy conservation and the long term availability of spares.

Domestic Gas Appliances, The Monopolies and Mergers Commission, HC 703, SO £4.

Changes sought for coal stocks finance

BY MARTIN DICKSON

THE NATIONAL Coal Board and the Central Electricity Generating Board are likely to make a joint appeal to the Government this autumn for greater financial flexibility for their growing coal stocks.

Because of the recession, electricity demand is falling, which means the CEGB is burning less coal although NCB production is rising. The rise of stocks could hit finances hard, sdding to the exteroal borrowing needs of either the CEGB or the Coal Board.

The two industries are likely to ask the Government to remove money spent on stocking coal from external financing limits—the amount nationalised industries are allowed to borrow in a year. They could be joined by British Rail, which depends on the movement of cosl for much of its freight business.

Sir Derek Ezra, the NCB chairman, said yesterday the Board wants special arrangements for financing coal stocks which depend on the vagaries of temperature and demand.

He thought the external financing limits should not interfere with the sensible movement of stocks. To store coal at pits and lift it later to power stations involved wasteful double handling.

Sir Derek was speaking at a ceremony in Hambleton, North Yorkshire, which was also attended by Mr. Glyn England, the CEGB chairman, and Sir Peter Parker, the chairman of British Rail, to mark the start of work to divert the main east coast railway away from the new Selby coal field.

This diversion will be the first major contract for the construction of a new main railway line in Britain since 1896.

It is needed because at present the line runs directly above the Selby coalfield, due to come into production by 1983

Subsidence from the coalfield under the existing railway track would have seriously slowed trains.

Oil spills cleansing criticised

By William Hall, Shipping Correspondent

EUROPEAN GOVERNMENTS are not well prepared to combat massive oil pollution despite lessons from major disasters like the loss of the Amoco Cadiz, says a special report commissioned by the EEC.

The report, prepared by the International Tanker Owners' Pollution Federation, says that the same "basic problems" have been "repeatedly demonstrated" in clean-up operations at all recent large oil spills in European waters, "the lessons of past spills have not been fully appreciated."

One of the key lessons is that seaborne cleaning is unlikely to be enough when a large amount of oil is discharged near the coast.

The report criticises governments for concentrating anti-pollution efforts on treatment at sea and generally neglecting protection of inshore waters, cleaning contaminated shorelines and disposing of recovered oil and debris.

CBI QUARTERLY SURVEY OF INDUSTRIAL TRENDS

Manufacturers report widespread pessimism about business levels

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

A SHARP decline in the volume of orders and output at home and abroad has helped to cause a widespread loss of optimism about business prospects in manufacturing industry according to the Confederation of British Industry's quarterly industrial trends survey.

The survey, published this morning, shows employment levels will continue to decline into autumn as companies increase the rate at which they lay off labour.

Price levels are proving to be an unprecedented constraint to exports. Overseas orders are expected to continue to fall in the coming months.

The survey suggests the rate of increase of selling prices, especially for exports, has slowed significantly, even though there has been only a small reduction in the rate in increase in unit costs.

Investment intentions have also declined rapidly, following a levelling off shown in the last survey which was published in April.

In general, companies are predicting sharper falls in employment and fixed investment in the next four months than in any previous survey, and an attack on the stock levels of finished goods is also planned.

"A sharp decline in activity, accompanied by further reductions in margins, is likely to exert substantial pressure on the already weak liquidity position of manufacturing industry," the CBI says.

The survey was carried out among nearly 2,000 manufacturing companies between June 27 and July 16. Most replies will have been completed after the reduction in Minimum Lending Rate from 17 to 16 per cent was announced on July 3.

Only 2 per cent of the participants said they were more optimistic than four months ago about the general business situation in their industries.

A further 26 per cent said there was no change, but 72 per cent were less optimistic. This balance of minus 70 per cent between those less and more optimistic points to a very sharp decline in business confidence, says the CBI.

It is the worst since the three-day week of 1974 which, in turn, was the worst since the survey began in 1958.

Increased pessimism is evident throughout industry although it is less marked in some areas, including shipbuilding and marine engineering and constructional steelwork. The recent trend for smaller businesses to be more optimistic than larger concerns has disappeared, and there is little difference sccording to sizes of business.

The balance of companies reporting a decrease rather than an increase in the volume of new orders has fallen from minus 26 per cent to minus 55 per cent.

Similarly the balance forecasting fewer orders in the next four months has fallen to minus 47 per cent, compared with minus 21 per cent in April and minus 24 per cent in January.

Only one industry — power and industrial electric goods — expects a higher intake of new orders. But only a small fall in demand is expected by the electronics goods industry, which has also reported only a small reduction in the past three months.

For the fourth survey in succession textiles and metal manufacturers continue to forecast more extensive declines in demand.

A total of 75 per cent of the participants assess the volume of their order books as below normal. This implies a considerable weakening in demand. Order books are said to be normal by 20 per cent and above normal by only 4 per cent.

Order books are weakest for the metal manufacture broad industry group and strongest for food, drink and tobacco.

For the fourth successive quarterly survey, there has been a reduction in capacity utilisation with 76 per cent of respondents reporting that they are working below a satisfactory full rate of operation.

Below capacity working has become increasingly widespread —since last summer and the current 76 per cent figure is only slightly better than that recorded in the trough of the 1975 recession.

Activity has weakened in all industries although food, drink and tobacco companies remain relatively busy. In metal manufacture, however, below capacity working is almost entirely predominant. In man-made fibres, 100 per cent of companies are operating below full capacity.

The volume of stocks of raw materials and brought in supplies, snd the volume of work in progress are both reported to have declined over the past four months. But the balance expecting further reductions over the next four months are at record levels.

The volume of finished stocks is reported to have risen for the fifth consecutive quarterly survey, although by only small balances of participants, despite extensive efforts at destocking. At the same time there has been a steady increase in the proportion of companies regarding their stocks of finished goods ss sdeouste or more than adequate. This assessment is now made by 84 per cent of respondents, of whom nearly half answered "more than adequate."

Shortages of orders or sales are now quoted by 91 per cent of participants as a likely factor limiting output over the next four months. This compares with 85 per cent in April, which itself was the worst figure since CBI survey began.

Shortages of skilled labour is only mentioned as a constraint by 5 per cent of the respondents which is a record low figure. Even so in two or three industries—including hosiery and knitwear and constructional steelwork—20 per cent or more companies have reported skilled labour shortages.

Investment intentions are weakening st a rapid rate with a balance of minus 43 per cent of participants expecting to authorise less rather than more capital expenditure on plant ann machinery during the next 12 months. This compares with only minus 18 per cent in January and April. The balance for investment on buildings has declined to minus 47 per cent, from minus 31 per cent in April and minus 30 per cent in January.

This leads the CBI to forecast that the volume of private manufacturing investment is likely to fall by slightly more than 5 per cent between 1979 and 1980, and then to drop by a figure "nearer 10 per cent" in the following year.

The survey suggests on employment that "very wide labour shedding has been taking place and that this process will continue unabated over the next four months."

A balance of minus 50 per cent of companies reports a reduction rather than an increase in the numbers employed over the past four months compared with minus 43 per cent in April and minus 31 per cent in January.

Looking to the future, a similar trend is indicated with a balance of minus 58 per cent forecasting further reductions in the next four months.

Over the past four months average domestic selling prices have risen for 46 per cent of respondents, remained unchanged for 43 per cent, and fallen for 11 per cent. The balance of plus 35 per cent recording a rise rather than a fall is the lowest since April 1973 and is much lower than the plus 57 per cent recorded in April.

Equally the balance expecting increases in average domestic prices over the next four months is, at plus 33 per cent, considerably lower than the plus 56 per cent of April and is the lowest since January 1973.

Although these results "may represent encouraging signs for the rate of inflation," says the CBI, "the decline in price inflation has not been accompanied by as rapid a decline in unit cost inflation." This means that there are "serious implications for profit margins," because of serious export trends.

Optimism about exports has declined more seriously than in any quarter since 1961 when it was first included in the survey. Some 19 per cent of respondents have reduced export prices while 34 per cent have raised them. The consequent balance of plus 15 per cent is the lowest since October 1968.

CBI Industrial Trends Survey No. 77, July 1980, CBI, Centre Point, London, WC1. Subscription for full results £90 (CBI members £40).

TOTAL TRADE—All figures are percentages on a weighted sample. Figures in parenthesis show the response to the survey carried out last April.
Number of respondents: 1,961.

	More	Same	Less
Are you more or less optimistic than you were four months ago about the general business situation in your industry	2 (6)	26 (47)	72 (47)

Do you expect to authorise more or less capital expenditure in the next 12 months than you aurthorised in the past 12 months on:

	More	Same	Less	N/A
(a) Buildings	9 (14)	26 (28)	56 (45)	10 (13)
(b) Plant and Machinery	16 (26)	24 (29)	59 (44)	1 (2)

	Yes	No	N/A
Is your present level of output below capacity (i.e. are you working below a satisfactory full rate of operation)	76 (70)	24 (30)	1 (1)

Excluding seasonal variations, do you consider that in volume terms:

	Above normal	Normal	Below normal	N/A
(a) Your present total order book is	4 (7)	20 (33)	75 (57)	1 (3)

	More than adequate	Adequate	Less than adequate	N/A
(b) Your present stocks of finished goods are	39 (32)	45 (48)	3 (6)	13 (14)

Excluding seasonal variations, what has been the trend over the past four months, and what are the expected trends for the next four months, with regard to:

	Trend over past four months: Up	same	Down	N/A	Expected trend over next four months: Up	same	Down	N/A
Numbers employed	6 (8)	38 (41)	56 (51)	— (—)	3 (7)	35 (45)	61 (47)	— (—)
Volume of total new orders	9 (17)	25 (37)	64 (43)	2 (4)	7 (14)	37 (47)	54 (35)	2 (3)
of which: Domestic orders	8 (15)	28 (39)	62 (42)	2 (4)	7 (13)	40 (50)	52 (34)	2 (3)
Volume of output	10 (19)	42 (48)	48 (33)	— (—)	6 (16)	46 (54)	47 (30)	1 (—)
Volume of domestic deliveries	11 (18)	34 (43)	55 (37)	1 (1)	6 (17)	39 (49)	54 (32)	1 (1)
Stocks of: (a) Raw materials and brought in supplies	20 (16)	45 (50)	32 (33)	3 (2)	6 (10)	44 (55)	47 (33)	3 (2)
(b) Work in progress	19 (15)	44 (51)	29 (25)	8 (9)	5 (10)	43 (54)	44 (26)	8 (9)
(c) Finished goods	28 (26)	39 (39)	21 (21)	12 (14)	8 (13)	41 (47)	38 (26)	13 (14)
Average costs per unit of output	73 (77)	24 (20)	2 (1)	— (2)	67 (75)	28 (21)	4 (3)	— (1)
Average prices at which: Domestic orders are booked	46 (61)	43 (34)	11 (4)	— (1)	43 (59)	48 (37)	10 (3)	— (—)

Approximately how many months' production is accounted for by your present order book or production schedule:

Less than 1	1-3	4-6	7-9	10-12	13-18	More than 18	N/A
17	46	11	2	2	1	1	19
(13)	(46)	(13)	(4)	(2)	(4)	(2)	(18)

What factors are likely to limit your output over the next four months:

Orders or sales	Skilled labour	Other labour	Plant capacity	Credit or finance	Materials or components	Other
91	5	0	4	7	2	2
(85)	(10)	(1)	(7)	(5)	(6)	(3)

In relation to expected demand over the next 12 months is your present fixed capacity:

More than adequate	Adequate	Less than adequate
65	31	4
(52)	(43)	(5)

What are the main reasons for any expected capital expenditure authorisations on buildings, plant or machinery over the next 12 months:

To expand capacity	To increase efficiency	For replacement	Other	N/A
14	60	44	6	14
(17)	(64)	(50)	(8)	(12)

What factors are likely to limit (wholly or partly) your capital expenditure authorisations over the next twelve months:

Inadequate net return on proposed Investment	Shortage of internal finance	Inability to raise external finance	Cost of finance	Uncertainty about demand	Shortage of labour including managerial and technical staff	Other	N/A
34	23	1	23	46	2	2	12
(32)	(20)	(3)	(19)	(42)	(4)	(1)	(16)

EXPORT TRADE—Companies completing these questions have direct exports exceeding £10,000 per annum. Number of respondents:

	More	Same	Less	N/A
Are you more or less optimistic about your export prospects for the next 12 months than you were four months ago	5 (12)	33 (54)	62 (33)	1 (1)

Excluding seasonal variations, do you consider that in volume terms:

	Above normal	Normal	Below normal	N/A
(a) Your present total book is	7 (13)	32 (39)	69 (44)	1 (4)

Excluding seasonal variations, what has been the trend over the past four months, and what are the expected trends for the next four months with regard to:

	Trend over past four months: Up	Same	Down	N/A	Expected trend over next four months: Up	Same	Down	N/A
Volume of total new export orders	9 (21)	41 (44)	49 (31)	1 (4)	5 (19)	53 (54)	40 (25)	2 (3)
Volume of export deliveries	9 (24)	49 (47)	41 (37)	1 (2)	7 (21)	55 (58)	37 (19)	1 (2)
Average prices at which export orders are booked	34 (25)	46 (37)	19 (9)	1 (2)	36 (43)	49 (50)	14 (6)	1 (1)

What factors are likely to limit your ability to obtain export orders over the next four months:

Prices (compared with overseas competitors	Delivery dates	Credit or finance	Quota and import licence restrictions	Political or economic conditions abroad	Other
83	6	8	10	39	4
(79	(12)	(6)	(10)	(34)	(9)

The brightest spot in Cromer

BY ANTHONY MORETON, REGIONAL AFFAIRS EDITOR

CROMER has had a battering this summer. A combination of malevolent rain, biting northerlies, and dear petrol have kept away the holidaymakers on which so much of its prosperity depends.

Hoteliers put a bright smile on things and tell you there will bemore people in next week. But without the holidaymakers and dsy trippers the town is going to feel a bit of a draught this winter.

As it is, Cromer and its neighbours such as Wells-next-the Sea, Blakeney, Fakenham and Hunstanton are pockets of depression amid the riches of East Anglis. The planners describe them as "dark spots" to differentiate from the black spots around Sunderland or on Clydeside.

If you have just left school and cannot find a job it does not really matter what shade you are painted.

It was not always so difficult to find a job in Cromer. In Edwardian daya the town had more than its fair share of millionaires, and royalty, in the shape of Edward VII, would spend many a happy hour there. He would be put up in the Royal Links Hotel, long since replscad by holiday chalets, and hack about on the links of the Cromer Golf Club, to which he later appended the prefix Royal.

From his front door Ted Whaley could make a short putt on to the club's 14th green. Ted has nothing to do with the club, though; he is the lighthouse keeper and the lighthouse is on club land.

Everyone knows what a lighthouse does: "It warns shipping of rocks or shosls," Ted says. It does this by sending out a beacon signal, flashing a light or sounding a foghorn. Except that Cromer has no foghorn. No one quite knows why—there are very few lighthouses without a horn, but it is probable that Cromer's was taken away about the time Edward was paying his visits. Such s noise might have kept the royal party awake at night and so Cromer was silenced.

Cromer is a land station, that is a lighthouse on the mainland, as opposed to the Eddystone, for instance, out at sea.

The difference is in living and working conditions. There are three keepers on a rock station and they spend a month on duty; after that, they get a month off. If, for any reason, they cannot get off the rock then they lose part of their month's leave. It's considered to be part of the job, the rub of the green so to speak.

But that doesn't happen much nowadays. "When I joined Trinity House, 24 years ago," Ted says, "you could find yourself marooned on a rock in bad weather, heavy seas or fog. A crew on the Skerries off Holyhead once spent a whole month extra on the rock. It meaot they bad an uninterrupted spell of 12 weks there, which can be a bit trying."

The secret of life on a rock station is patience, according to Ted. "There's three of you and you have to live in a room 15 feet square. You have another room with three bunks, but that's it. You can quite easily get on each other's nerves.

"I have a golden rule. Keep off politics, religion and trade union affairs. I've seen some terrible quarrels and they can really sour things. Bad table manners and snoring can also send a bloke off the deep end.

"The other thing is to have a hobby that's quiet. I make model aircraft. That's fine. Carpentry wouldn't be any good at all. If you started banging with a hammer and one man was asleep and the chap on duty had a headache it's a recipe for disaster."

Being marooned on a rock station does not happen very often now because the lighthouses are almost entirely serviced by helicopters. Every lighthouse has its own helicopter pad and only occasionally does thick fog prevent the relief getting through.

The coming of the helicopter is not the only change Ted Whaley has seen in the past 24 years. The oil lamps have been replaced by electricity, the explosive fog signals have gone, diesel-driven generators have appeared and there are air compressors.

If the work has changed the pattern of signals has not. Lighthouses do not simply flash on and off. They flash a set sequence and no two have the same pattern. Cromer sends out five flashes every 7½ seconds and then is silent for 7½ seconds. A vessel's skipper or navigating officer would know where he was immediately by interpreting the pattern of flashes.

The lighthouse also sends out the letters CM (for Cromer) in morse every six minutes of the day by radio and the lighthouse keeper has to keep a continual log. This part of the Norfolk coast is a quiet one for shipping, mostly used by coastal vessels plying Hunstanton, King's Lynn or Yarmouth and Lowestoft. But the keeper on one of the Goodwin lightvessels in the Dover strait is hang in the middle of a maritime M 1.

Ted Whaley likes Cromer and would like to stay there. East Anglia is a lovely part of the world, even in this miserable summer. There are much worse places to be, and much worse jobs to be in.

Tomorrow:
Back to normal in Derby

Relief stores for lightships are loaded into a Trinity House helicopter

Traders given details of 'truth in lending'

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

TRADERS faced with implementing the Government's "truth in lending" regulations this autumn have been given comprehensive details of the law by the Office of Fair Trading.

In a booklet aimed at traders, the OFT spells out how the regulations made under the Consumer Credit Act will apply to most credit and hire advertisements, whatever the medium used by the advertiser.

Although the act became law in 1974, the regulations governing "truth in lending" will not come into force until October 6 this year.

From that date most companies and traders offering credit or hire facilities must conform to the new regulations or risk committing an offence.

The regulations' aim is to ensure that advertisements give a fair and accurate idea of the type and cost of credit being offered. This will enable the consumer to compare the terms available from different companies.

The guide is available free from the OFT, Government Buildings, Bromyard Avenue, Acton, London W3 7BB.

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UK NEWS—PARLIAMENT and POLITICS

No confidence debate separates the 'wets' from the 'dries'

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

WELL OVER HALF the MPs in a packed House of Commons left the Chamber yesterday as soon as the big opening speeches of Mr. Callaghan and Mrs. Thatcher were out of the way.

Cheering Tories waving order papers had applauded the Prime Minister's gutsy declaration that as far as she was concerned, there would no U-turns.

To be more exact, just over half of the Conservative backbenchers rose to give her a standing ovation.

In a fascinating exercise separating the "wets" from the "dries," the rest of them remained in their seats making polite noises.

A few feet from Mrs. Thatcher sat Mr. Ted Heath, the former Conservative Prime Minister, staring stonily into the distance.

Those who did remain in the Chamber were soon rewarded. Within half an hour the debate had sprung into life again with noisy scenes and interruptions.

Standing with icy calm in the eye of the storm was Mr. Enoch Powell (Ulster Unionist South Down) former Tory Cabinet Minister and a leading monetarist. It was his relentless analysis of Mr. Callaghan's speech which had Labour MPs hopping with fury.

Opening the debate, Mr. Callaghan had called for a reduction in interest rates even though this would lead to "some lies" in the money supply. An expansion of public expenditure was perfectly consistent with a responsible monetary policy and lower interest rates, the Opposition leader insisted.

At this stage, Mr. John Biffen, Chief Secretary to the Treasury and one of the main architects of the Government's policy, could be seen on the Government benches rocking contemptuously with suppressed laughter. "A good man fallen among wets," was how Mr. Callaghan described Mr. Biffen.

Musing on Mr. Callaghan's speech, Mr. Powell declared that the Opposition leader new as well as anyone else the consequences of reducing interest rates and increasing public expenditure.

"All you will have done if you do what the Opposition is asking for is to have increased unemployment, increased misery and increased disruption in the future," he declared.

Throughout Mr. Powell's speech, Mr. Norman Atkinson (Lab., Tottenham) a Tribune group veteran, spluttered with indignant rage and demanded to know how Mr. Powell squared this philosophy with the high level of Government expenditure in Northern Ireland.

"Utter drivel . . . absolute nonsense . . . economic illiteracy," were some of the choice phrases which he threw at Mr. Powell, who sits near him on the Opposition side of the House.

But Mr. Powell's speech drew nods of approval from Sir Geoffrey Howe, the Chancellor of the Exchequer, and other Tories. They seemed to think that Maggie could not have said it better herself.

Interestingly enough, Mr. Powell's remarks also drew out some of the Tories who are critical of the Government's firm line.

Mr. Geoffrey Rippon (Hexham) a Minister in the Heath Government, intervened to point out that increased interest rates over the past year had put £900m on the public sector borrowing requirement—money which could have been put to a better purpose.

At least one member of the House still had doubts about the firmness of the Government's intentions. Mr. David Steel, the Liberal Leader, suggested that although Mrs. Thatcher's announcements on INMOS and the enterprise zones was not a U-turn, at least it might be a "wriggle" leading to a change of direction.

There are no U-turns available—Thatcher

BY IVOR OWEN

IN A robust defence of the Government's counter-inflation policy in the Commons last night, the Prime Minister pledged that the rising level of unemployment will not be allowed to force panic changes.

She told Labour MPs, and the doubters on her own backbenches, "it is no good dreaming about U-turns—there aren't any available."

With a determination and fire which brought many Tory backbenchers to their feet roaring approval at the end of her speech, Mrs. Thatcher maintained that the change of course advocated by Mr. James Callaghan when he launched the Opposition's "no confidence" motion would be a fundamental mistake.

She dismissed the Labour leader's call for controlled reflation, with an immediate reduction in interest rates and Government intervention to bring down the sterling exchange rate, as a recipe for unleashing another uncontrolled surge in the money supply leading to hyper-inflation.

The Prime Minister maintained that a reduction of inflation, combined with pay rises within the seven to 11 per cent range of the Government's monetary targets, would lay the basis for growth and the prospect of more jobs.

Her announcement of Cabinet approval for a further £25m investment in INMOS, the NEB's microchip subsidiary, provided the production plant is located in South Wales, won another approving cheer from Tory MPs.

So, too, did her confirmation that the Government will soon give the "go ahead" for an initial seven enterprise zones in areas of urban decay, with the likelihood of one or two more to follow.

Mrs. Thatcher argued that these developments showed that the Government accepted that it had a duty to mitigate the economic and social effects of change.

"We are prepared to help the transition to higher productivity and to more jobs," she said. "What we are not prepared to do is to buy a few extra jobs now, at the expense of higher inflation and higher unemployment in the future."

The Prime Minister was adamant that the Government would "adhere firmly" to its monetary strategy and highlighted the fact that the rate of inflation had started to fall.

Interest rates, though still too high, had begun to come down. To reduce them further, it was vital to keep strict control over Government spending and borrowing.

The rise in unemployment, she said, was inevitable because of the world recession and excessive pay settlements.

Mrs. Thatcher stressed: "When the recession ends, the vital need will be to be competitive. When trade revives, we must be ready and able to increase our share of the market."

Thatcher: Robustly defended the Government's counter-inflation policy

Then, she said, there could be a real prospect of prosperity and growth. Instead of using the the revenue from North Sea Oil to suck in imports and impoverish British industries, the Government intended to use this great asset to rebuild the home industrial base and to provide a better standard of life for everyone.

The Prime Minister declared: "To adopt our policies is to be realistic and optimistic about our people, their ability, their resolution and their future.

"Far from demoralising the country, we are doing what the country elected us to do."

To a roar of Tory cheers she promised: "And this Government will have the guts to see it through."

Waving aside Labour jeers, the Prime Minister insisted that Tory MPs were just as concerned about the rising level of unemployment as their political opponents on the Opposition benches.

"But we also beleieve that it is a cruel deception to pretend to the unemployed that it is within the capacity of politicians on their own to create employment which will last, or to avert indefinitely the disappearance of a job whose market has gone."

Mrs. Thatcher contended that the reflation advocated by Mr. Callaghan could only mean that the Government would either have to tax more, borrow more or print more money.

Yet, she said, the Labour leader had himself admitted when in Government that earnings were already too heavily taxed.

Amid Tory cheers she emphasised: "It took a Conservative Government to make the real breakthrough in cutting direct taxation and allowing people to keep more of the money they earned.

"And we hope to go further in this direction."

As for the Government borrowing more, Mrs. Thatcher pointed out that at a time when the demand for industrial and commercial credit was still high, this could only have the effect of driving up interest rates.

"In our view, that would be one of the most damaging things that could happen to the private sector and to jobs," she declared.

The Prime Minister reaffirmed that the outlook for interest rates was crucially dependent on curbing public spending and borrowing, a cause to which the Government was already totally committed.

Interest rates would be brought down further, she said, as soon as it was prudent to do so.

Mrs. Thatcher scornfully rejected the idea that the Government should give up the aim of reducing inflation and simply adjust to the current rate.

The history of the past 20 years, she said, showed that attempts to adjust to inflation had merely led to ever-rising inflation rates. Mrs. Thatcher said the Government was determined to establish credibility for sound financial management and to resist attempts to argue for more adjustment.

She explained: "Accommodating inflation does not mean stable inflation at a higher level, it inevitably means acceleration leading to hyper-inflation."

The Prime Minister acknowledged that some of the Government's critics, while endorsing its general economic strategy, argued that it was not being applied vigorously enough.

This view reflected the fear that unless public spending was reduced faster, the effect of the monetary policies would bear too heavily on the private wealth creating sector and too heavily on the very firms to which the Government was looking to provide growth and jobs for the future.

Mrs. Thatcher said the understood and shared these anxieties.

"But it is the Government's view that bearing in mind the many problems we face, the pace of change is as fast as circumstances will allow."

The Prime Minister also accepted that the strength of the pound was making life difficult for some of Britain's industries.

But she believed that those like Mr. Callaghan who advocated Government intervention to bring down the exchange rate greatly overestimated the capacity of Ministers to influence or resist the markets.

"Sterling has strengthened recently because we have North Sea Oil and because investors overseas believe that our economic policies are right and that they will succeed.

"I agree with them."

Mr. David Steel, the Liberal leader, scoffed at the Prime Minister's claim that the Government was implementing the policies on which it won the general election.

Accused

"I don't recall people voting Conservative in order to bring unemployment to up to 2m or to double the rate of inflation," he said.

Mr. Steel accused the Government of not giving the country an intelligent lead and complained that it was allowing British industry to sink or swim, without any of the help which other European Governments were giving to their industries.

He maintained: "It is the job of the Government to mitigate the effects of the world recession on the country."

Mr. Steel saw deeper implications in the decisions announced on INMOS and the creation of enterprise zones than the Prime Mlister was prepared to admit.

"If these decision don't represent a U-turn, let us hope they represent a wiggle and perhaps the beginning of a turn in the direction of the Government," he said.

The Liberal leader again urged the Government to adopt a comprehensive prices and incomes policy. He warned that the plan to impose a selective pay policy on the public sector would not work.

There are better alternatives—Callaghan

MR. JAMES CALLAGHAN, Opposition leader, opening Labour's "no confidence" attack on the Government, accused the Thatcher Administration of following economic policies which were gravely damaging British industry.

He warned: "The Government must not attempt to solve the nation's problems on the backs of 2.5m unemployed.

Mr. Callaghan said there were alternative and better policies to the Government's strategy which was spreading mass unemployment, undermining industry and demoralising the country.

The Prime Minister would not be able to "quieten the concern, anxiety and cries of help" coming from industry and the regions.

In the first 15 months of this Tory Government, 600,000 more people were out of a job, interest rates were 4 per cent higher, inflation had doubled to 21 per cent, firms were cutting expansion, manufacturing output was 8 per cent lower, and there were more bankruptcies and more redundancies.

And when any of the extra unemployed asked the Prime Minister how to find a job, she told them to move, Mr. Callaghan said to Labour cheers.

Chancellor Sir Geoffrey Howe was now saying moderate wage settlements would speed up the reduction in inflation. "I am glad he has discovered it. It is a pity he did not do it earlier," Mr. Callaghan said.

The Government was deluding itself in thinking its only responsibility was to get inflation down. There was no evidence that British industry would be willing or able to modernise itself during the coming three years of recession.

"If the Government continues to dampen down demand, industry will emerge weaker than today and not stronger," he said.

Even firms that were efficient, had good industrial relations and were technically advanced, were in difficulties and laying off workers because of the Government's policies, said Mr. Callaghan.

"Industry is now in danger of being sucked into a downward spiral of fewer orders, leading to lower output and lower productivity.

Mr. Callaghan challenged Mrs. Thatcher: "Will the Government sit there if unemployment rises to 2m or 2¼m during 1981 or 1982? Is there a ceiling when it will change its policies?"

The Prime Minister should spell out what effect on employment other policies would have.

"The Government has a special responsibilty to give the country guidance about what it belives could be achieved given certain policies," said Mr. Callaghan.

"Then the country would know what is in store and people would be able to say whether they were prepared to back the Government in accepting such policies if it meant a rise in unemployment to 2¼m or maybe higher."

Mr. Callaghan said Labour did not accept the Government's decision to go on reducing the public sector borrowing requirement.

"It is our view, in the present situation, that the Government should be using budgetary and monetary instruments to stimulate demand."

He urged the Government to return to the combination of "a balance between monetary policy, fiscal policy, and incomes" to prevent further unemployment. Interest rates should be brought down quickly.

Callaghan: Problems must not be solved on the backs of the *unemployed*

Mr. Callaghan said North Sea Oil revenues should be used more directly to help industry.

There was a need to get efficient companies and industries over the worst of the recession—and those measures should include direct job subsidies.

"The Government must not attempt to solve the nation's problems on the backs of 2¼m unemployed. Any improvement it buys it will get at too high a price," he warned.

Mr. Callaghan, to roars of support from the Labour benches, said he had put forward a package of measures to stimulate the economy which would be taken "to the country on every occasion so public opinion in the end will force the Government to change their stance or—better still—to go."

Incomes policy vital to beat inflation

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE GOVERNMENT'S restrictive monetary policies are likely to be unsuccessful unless backed up by an incomes policy, Professor James Tobin of Yale University told a Commons committee yesterday.

Professor Tobin, one of the leading U.S. Keynesians and critic of a reliance solely on monetary policy, was giving evidence to the Treasury and Civil Service Committee of the Commons as part of its continuing inquiry into monetary policy.

He said that the British Government's present policies—which he described as disinflation—were unlikely to achieve any lasting success on the inflation front and involved paying a big price in terms of reduced investment in physical and human capital.

Professor Tobin argued that the weakness of the present approach was that it relied on a global threat to everybody in general and to nobody in particular. He likened the problem to the position when everyone was standing up in a theatre or stadium and was asked to be seated but why should anyone sit down first.

He believed incomes policy could have a role to play in reducing inflation in conjunction with policy objectives for money, national income and the overall level of spending. He described the money stock—sterling M3, the UK target—as a hybrid of no interest for the economic outcome.

The Professor described the Government's policy as the determined and resolute disinflation of monetary demand regardless of the transitional consequences in terms of lost output and jobs.

Heseltine under attack on impact of housing cuts

BY MICHAEL CASSELL

AN ALL-PARTY Commons committee yesterday unanimously criticised Mr. Michael Heseltine, Secretary for the Environment, for his refusal to spell out the likely impact of spending cuts on the housing programme. The committee forecast that council house building was set to return to the levels of the 1920s.

In a report on the implications for housing policy of the Government's expenditure plans up until 1983-84, the environment committee said it was now unlikely that public sector housing starts in England would—even with large, real increases in rents — exceed 31,000 by 1983-84 and could be as low as 26,500.

In 1979-80 starts were 66,400. Public sector housing subsidies could be reduced by two-thirds or more.

The committee which also suggested that public sector completions could fall as low as 32,000 in 1983-84 against just over 89,000 in 1979-80, forecast that there could be a cumulative shortfall of nearly 500,000 public and private secter homes in Great Britain by the middle of the current decade.

It referred to the 1977 Green Paper on housing trends, which Mr. Heseltine had said he still broadly accepted, and pointed out that by the end of 1980 the number of new council homes would be nearly 100,000 down on the level projected in the document as being necessary.

The committee report concluded that a combined total of between 130,000 and 210,000 homes a year were likely to be built up until 1981 against the 290,000-310,000 average suggested in the Green Paper.

The committee said it had invited Mr. Heseltine to give more information on the effects of the 48 per cent reduction in the housing budget over the next four financial years.

It pointed out that housing cuts of £2.58bn were planned for the period under review. By 1984 the share of total expenditure accounted for by housing would have fallen to just over 4 per cent compared to over 10 per cent ten years before.

But the committee had to report that Mr. Heseltine had confined any elaboration on the overall expenditure figures to suggestions that they were could afford for housing." The based "on what the country only other information he had imparted was that an increase in real levels of rents could be expected.

It rejected Mr. Heseltine's claims that predictions of public expenditure on housing always proved wrong and were open to misinterpretation. It suggested that these reasons did not justify his refusal to indicate the likely consequences of his decisions.

The committee went on to criticise the Minister for making suggestions, when giving evidence, that a reduction in public expenditure on housing would be offset by higher private sector activity but for failing to provide a view on the extent of that contribution. It did not accept his "sweeping dismissal" of the usefulness of private sector housing forecasts.

In its report, the committee said it regretted having to divert its limited staffing resources to provide indications of how housing activity might be affected by the spending plans—particularly in view of assurances given by the Leader of the House that Ministers "would make every effort to ensure that the fullest possible information is made available to select committees."

The committee urged Mr. Heseltine to prepare and publish urgently an updated review of projected housing demand and need in relation to supply. It recommended that the "drastic reductions" in housing expenditure should be reconsidered in subsequent years in the light of experience.

Liberals' Housing Bill move succeeds

BY ELINOR GOODMAN, LOBBY STAFF

THE GOVERNMENT yesterday accepted the principle of a Liberal amendment to the Housing Bill on Option Mortgages for the elderly.

The amendment was successfully moved by Lord Banks last week in a series of Government defeats on the Bill in the Lords.

But Ministers look set to try and reinstate another clause to the Bill giving the elderly the right to buy their council homes which they also lost in the Lords.

Mr. John Stanley, the Minister for Housing, said yesterday that he had agreed to help elderly non-tax paying home owners by extending the option mortgage scheme.

An amendment will now be introduced to the Bill extending the scheme so as to provide additional income to old people on low incomes. The cost of this change will apparently be met within existing public expenditure allocations.

The amendment is similar to that moved by Lord Banks last week and supported by Peers on all sides of the House. It thus represents a rare victory at Westminster for the Liberals.

But, though the Government was soundly defeated in the Lords on another clause in the Bill dealing with accommodation specifically built for the elderly, it seems unlikely to go far to meet the Opposition on this amendment.

As it now stands, it would mean that local authorities would not be obliged to sell elderly tenants accommodation normally let to old age pensioners.

The provision has some support among Conservative voters but Ministers seem to regard it as an unacceptable erosion of the automatic right—fundamental to the Bill—for council tenants to buy their homes.

No decision has yet been taken but yesterday, a similar amendment in the Lords on the Scottish Housing Bill was defeated.

This seem likely to have strengthened the Government's determination to reinstate the clause in the Housing Bill when it returns to the Commons.

'Stay open' call by journalists to Observer owners

BY PAULINE CLARK, LABOUR STAFF

JOURNALISTS on the Observer sent a direct appeal last night to the American owner Atlantic Richfield, not to carry out its threatened closure of the paper over a printworkers' pay dispute.

The National Union of Journalists Chapel meeting was called after TUC attempts earlier in the day to help find a solution to the machine managers' dispute.

In a telex message to Atlantic Richfield the journalists said that they believed the owners "can and must" continue to publish the paper, and called on all parties to take no action which would lead to its closure.

They believed that "the best way forward" was for Atlantic Richfield to continue as owner of the Observer.

The journalists are among 1,000 staff on the newspaper who have been warned by management that dismissal notices may be sent to all employees this week if no progress is made in talks with the National Graphical Association.

Mr. Joe Wade, general secretary of the NGA, and representatives of the Observer management, agreed to meet Mr. Len Murray, TUC general secretary, during the morning to inform him of the latest developments.

The talks, at the invitation of the TUC, appeared to yield little hope of an early resolution of the trouble threatening Britain's oldest Sunday newspaper.

Mr. Murray said after the meeting: "It would not be helpful for me to speculate about whether a closure can be avoided, but I shall be considering what, if anything, the TUC might do to help in this very difficult situation."

Machine managers, who, as is common in Fleet Street, work as "casuals" on the Observer Saturday-night-to-Sunday-morning production run rejected a proposed peace formula last weekend in spite of a national NGA recommendation to accept.

The management has continued to stand firm against increasing its £100.13 offer for the shift in the face of a £108.03 claim by the machine managers.

● The NUJ chapel of The Times said last night that this year's pay negotiations would go to arbitration after rejection of an 18 per cent pay offer.

AUEW section has new Isle of Grain proposals

BY NICK GARNETT, LABOUR STAFF

THE ENGINEERING SECTION of the Amalgamated Union of Engineering Workers said yesterday that it would produce what in effect would be its own proposals for solving the difficult inter-union dispute over the Isle of Grain power station site in Kent.

This would be in response to the formula the TUC has formally advised unions to accept, or face the prospect of disciplinary procedures which could lead to their suspension from the TUC.

The AUEW Engineering Section, whose executive met yesterday, seeks discussions on this with other members of the National Engineering Construction Committee.

The committee does not include the General and Municipal Workers' Union, traditional organisers of laggers, over whose open-ended bonus payments the dispute arose.

The Engineering Section is sending a circular to its branches explaining the dispute and its own position.

The attempt by the TUC to bring the inter-union dispute under control was badly damaged on Monday when the executive of the AUEW Construction Section decided that the TUC proposals were unacceptable.

The executive said that two particular elements of the proposals, continued use of companies within the Thermal Insulation Contractors' Association and the move of newly-trained non-GMWU laggers to other jobs on the power station site, could not be accepted.

Aiding young jobless could cost £100m . . . Philip Bassett reports.

Youth unemployment could exceed 450,000 by end of 1981, Government body warns

THE GOVERNMENT'S employment agency, the Manpower Services Commission, warned yesterday that youth unemployment could rise to more than 450,000 in 18 months' time and that the numbers of the long-term unemployed could have risen to more than 500,000 by that time.

The Commission's projections imply a total adult unemployment level well in excess of the 2m already predicted by the MSC for the same time.

As a result of its projections, the Commission is almost certain to apply in the autumn to the Government for further funding for its Youth Opportunities (YOP) and Special Temporary Employment Programmes (STEP).

The size of the application will not be determined until the Commission's meeting in September but some indications of the likely increase needed were given yesterday by Commission officials.

Between £20m and £34m could be needed to cater for the 30,000-50,000 likely to be using YOP, based on an increase in the inflation rate of 16 per cent. STEP might need to be increased three- or four-fold if it was to have anything more than a token effect on projected long-term unemployment levels. This could mean an application of between £60m and £80m, taking the overall package being applied for to something like £100m.

Commission officials are hopeful that the Government will respond sympathetically to any such request for extra funding for YOP. The Government, though, is likely to be much less responsive to appeals for STEP, given the major cuts ordered by Ministers in the programme this year.

The Commission's projections for youth and long-term unemployment levels were disclosed yesterday by Mr. Geoffrey Holland, director of the MSC's special programmes division, when he introduced the Commission's second annual review of YOP and STEP.

Mr. Holland said that in comparison to a figure for January this year of 107,000 young people who were jobless for six weeks or more the figure in January next year was likely to be more than 350,000. Even with offsetting job release and other schemes, the number likely to be needing help by then will probably have risen by more than 100,000.

The comparable figure for January, 1982, could be as high as 450,000 or more.

Mr. Holland said the magnitude of the problem facing both the country and the MSC was clear and the prospect daunting. Merely to meet the MSC's undertaking to offer work experience to all school-leavers would require a much larger programme. Since young people would also be expected to say in YOP longer given the high overall unemployment levels, the programme would also have to be extended to train for white-collar and skilled work instead of blue collar manual work.

On the long-term unemployment levels, Mr. Holland said the April figure of 334,000 youths without work for more than a year—more recent figures will take time to become clear because the rate lagging behind the overall unemployment level—could rise to more than 400,000 in 1981 and more than 500,000 the following year.

At present the STEP programme, designed specifically to deal with the long-term unemployed, can fund a maximum of 12,000 places, though because of employer wariness following the cuts in the scheme only 10,000 places are at the moment taken up.

Mr. Holland called for the Government to give a clear long-term commitment to the programme, with an assurance of continuity of funding. The plight of the long-term unemployed should be taken more seriously. They were not work-shy, but often the victims of structural changes in employment.

The Commission's review of the two schemes showed that last year the gross cost of STEP was £50.2m, which was £7.8m over its budget, while YOP cost £115.6m, some £26.9m under budget.

The report outlines the Commission's worries, though, that YOP placements in jobs after the work experience scheme has ended may fall seriously from its present 68 per cent level as unemployment rises. The MSC believes that young people will increasingly turn away from the programme if its placement level falls markedly.

(Review of the Second Year of Special Programmes: Special Programmes Division, MSC.)

Corby men and Plaid Cymru in BSC protests

By Our Labour Staff

TWENTY-SEVEN pipe fitters and maintenance workers from Corby demonstrated outside British Steel Corporation headquarters in London yesterday to protest against not receiving the severance pay being given to 5,500 Corby steel workers.

The men will only receive statutory redundancy payments and not share in the £31m that has been allocated for the closure of the main Corby steel works.

Several of the demonstrators worked originally for Stewarts and Lloyds which became part of BSC after nationalisation in 1967.

● Eleven members of Plaid Cymru, the Welsh Nationalist Party rushed into the BSC headquarters yesterday to try to force an interview with Mr. Ian MacGregor, the BSC chairman.

The group was unable to find Mr. MacGregor's office and went on to the roof of the building where they stayed for more than an hour.

BP Chemicals in health dispute

BY SUE CAMERON, CHEMICALS CORRESPONDENT

TRADES UNION officials yesterday accused BP Chemicals of suppressing information about the impact of vinyl chloride monomer, a chemical used to make plastic, on its employees' health. BP Chemicals said, however, that it had sought to stop publication for legal reasons.

National officials of the Association of Scientific, Technical and Managerial Staff said the company had asked the University of Wales to "embargo" a thesis on vinyl chloride monomer written by one of BP's medical advisers.

They said the university had kept the thesis secret for two years after it was submitted.

The officials, speaking at a Press conference launching an ASTMS report on VCM health risks, said the thesis information could have helped sick employees to fight legal actions for compensation against BP Chemicals, if it had been available earlier. The University of Wales published the thesis last January.

BP Chemicals said much of it was based on previously published material. Parts of it, however, detailed medical histories of individual workers at BP Chemicals' VCM plant at Barry, South Wales.

Some o fthem had actions pending against the company on the grounds that their illness had been caused by exposure to VCM. BP Chemicals had therefore asked for the thesis to be kept secret because it might be sub judice.

But BP Chemicals said there were still eight compensation cases from Barry outstanding, even though the thesis had been published in January after a two-year gap. It said "in theory" parts of the thesis could still be sub judice. It had not asked for the embargo on the thesis to be lifted. The university acted on its own initiative.

BP Chemicals said yesterday it had just introduced a compensation scheme for employees whose health suffered because of exposure to VCM.

The ASTMS report says research shows exposure to VCM can cause a wide variety of illnesses, including liver diseases and cancer.

It calls for the present exposure limit to be cut from three parts of VCM per million parts of air to one part per million. The report says a limit of 1ppm was introduced in the U.S.

It demands early retirement, with full pension and pay, for workers exposed to VCM before 1974, when the chemical was first recognised as a serious health risk. Before 1974 the exposure limit for VCM had been 500ppm.

Last night the Chemical Industries Association said the 1ppm exposure limit in the U.S. was a "target," not a legally-enforceable standard. Conditions in VCM plants in the UK were as good as those in the U.S. an din some cases British plants operated at a 1ppm level.

VCM is used to make PVC, polyvinyl chloride. Principal UK producers are BP Chemicals and ICI.

Sir Jasper Hollom joins BATS board

Sir Jasper Hollom, former Deputy Governor of the Bank of England, has been appointed an external director of BAT INDUSTRIES from August 1. He is chairman of the Panel on Take-overs and Mergers and of Commonwealth Development Finance Company. He also remains on the Court of the Bank of England as a non-executive director.

*

Mr. Ian R. Farnsworth has been appointed senior vice-president (marketing) at NATIONAL WESTMINSTER BANK'S executive office North America, New York. He succeeds Mr. St John Seymour who is returning to the UK on completion of his tour of duty.

*

Mr. Ian Butler has been appointed a director of BARCLAYS BANK UK LIMITED from September 1. He is chairman and managing director of Lead Industries Group.

*

The UNIVERSITY OF GLASGOW has appointed Sir Samuel Curran visiting professor in energy studies for five years from October 1. He is at present principal and vice-chancellor of the University of Strathclyde.

*

CROWN LIFE has appointed Mr. Stuart Nesbitt as director of individual sales and marketing.

*

Mr. A. G. Smith has been appointed a managing director of ASTLEY AND PEARCE (STERLING).

*

Mr. Peter M. N. Jennings, an executive director of Guinness Mahon and Co., has been elected a director of the MILFORD DOCKS COMPANY.

*

Mr. Eric J. Paisley has been appointed president of WESTLAND TECHNOLOGIES INC., based in Winston Salem, North Carolina, U.S. This is a new company set up to promote Westland Aircraft products in the U.S.

*

Mr. Frank J. Manheim has been appointed chairman of AMEX BANK, the wholly-owned merchant bank subsidiary of American Express International Banking Corporation. Mr. Manheim is currently vice-chairman, and succeeds Mr. Sixto K. Roxas, who remains a director of the parent company.

*

Dr. H. von Werra is on October 1 to succeed Dr. A. W. Roth as management chairman of the Swiss electrical engineering concern SPRECHER AND SCHUH AG, Aarau. Dr. Roth will remain the company's managing director.

*

Mr. William J. Young, formerly first vice president, financial compliance and market regulation, has been appointed senior vice president of the CHICAGO BOARD OPTIONS EXCHANGE. Mr. Young directs CBOE's regulatory efforts with respect to market regulation and financial, operational and sales practices compliance. Mr. Arne Rode becomes first vice president of the exchange. He heads the legal department and serves as secretary of the exchange.

*

Mr. P. G. Hulme and Mr. A. P. Newman have been appointed joint managing directors of UNIRAX.

*

From August 1, Mr. Peter Mayne has been appointed commercial manager of the MANCHESTER SHIP CANAL COMPANY, following the retirement of Mr. Norman Cowgill.

*

Mr. Nicholas Kane has been appointed director of marketing services for RANK XEROX (UK). He succeeds Mr. Lyndon Haddon who has been appointed director of business planning and strategy for Rank Xerox.

*

Dr. Brian Jackson, previously financial controller, joins the Board of JOHN WYETH AND BROTHER with executive responsibility as financial director. Dr. Jamie McCaul joins the Wyeth Board as director of human resources.

*

Mr. Robin Hirsham has been appointed group managing director of MANSON FINANCE TRUST. Mr. Edward Goldie, previously managing director, continues as executive chairman.

*

The Countess of Airlie, Miss Elizabeth Ursula Chesterton, and Mr. Anthony Wakefield Cox, have been re-appointed members of the ROYAL FINE ART COMMISSION.

*

Sir Henry Chilver has been appointed chairman of the electronics economic development committee of the NATIONAL ECONOMIC DEVELOPMENT COUNCIL. He is vice-chancellor of Cranfield Institute of Technology.

*

Mr. Brian R. Law has been appointed an executive director of S. AND W. BERISFORD from August 1. He was previously managing director of Mars with full responsibility for the operations of the confectionery division.

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● ELECTRONICS

No need for the human touch

FIRST fully-automated production line in the world for the manufacture of bybrid circuits is the claim made by DEK Printing Machines of London and Weymouth for a plant which will go into service in September, this year.

DEK has been led to carry out this unique development because of its extensive and growing activities in the export market. It exports 75 per cent of the circuits it manufactures to Japan, east and west Europe and the United States.

Hybrids are used widely in essential controls for machine-tools, motor vehicles, precision instruments, telecommunications equipment and computing installations.

Basis of their production is a highly developed form of screen printing which deposits the conductor strips of the circuits on thin ceramic plates.

Metals such as palladium, platinum or gold form the strips and electrical resistors are formed in the same way, being automatically adjusted by laser trimmers.

A further screen printing process deposits solder paste at the points on the circuits where components such as transistors bave tn be attached and the cnmponents are placed into position automatically. Final printing stage is encapsulation in resin tn seal the circuits off from damp and contaminants.

From start to finish, the circuits are untouched by band and the feed systema for each stage of production use standard 35 mm photographic slide magazines for loading and unloading.

DEK has been in the hybrid manufacturing business for 12 years and now employs some 100 people. The company proposes to allow other British manufacturers to visit the productioo line once it is up and running in the hope tbat they will invest in similar manufacturing facilities and reduce the country's dependence on imports, while competing better with foreign makers on the latter's own markets.

DEK Printing Machines. 1 Euston Centre, London NW1 3JG. 01-387 0215.

Sets tank temperature

THE CONTENTS of a storage tank can be controlled to within plus or minus 5 deg. F in the range 50 to 275 deg. F using the RTC D-300 controller from Circuit Plating Equipment, Buckhurst Hill, Ascot, Berkshire (0990 25049).

This solid state unit uses a thermocouple sensor and has a relay output which can control several immersion heaters at distances up to 50 feet.

There is also a facility to set a second, lower temperature so that the liquids can be maintained at an energy-saving holding temperature overnight or at other times when the tank is not in use.

A large digital display, legible at 20 feet, will show the set point or tank temperature alternatively, light emitting diodes indicating whicb by lighting up next to the appropriate legend.

● HAND TOOLS

Safe compressed air gun

PUT ON the market by Air Industrial Developments, Shenstone, Litchfield, Staffordshire WS14 0DR (0543 480341) is the Puffin compressed air blow gun, a pistol type unit said to be easy to handle and control.

Design of the nozzle is sucb that a barrier nf air is produced during nperation which prevents dangerous material from blowing back on to the operator's hand or face.

In additioo, if the gun happens to be operated while the nozzle is in contact with the body, air will not puncture the skin but will be automatically relieved through the outlet producing the protective air cone.

● PROCESSING

Low cost clean-up

WHERE A very thorough cleaning nf items such as electronic components, printed boards, optical devices and instruments has to he carried out, ultrasonic tanks with a starting price of £152 offered by Perm-I-Fix might provide the answer.

The Compact BLC range offers six sizes from 140 x 140 x 120 mm deep np to 450 x 450 x 290 mm deep and the fabrication is from 1 mm stainless steel polished on the inside to resist cavitation corrosion.

Transistoriaed generators with ontputs from 50 tn 900 watts are used with frequency sweeping to ensure uniform cavitatinn in the cleaning fluid, giving better results with complex shaped items.

The tank thermostat is manually adjustable from 30 to 90 deg C and the transducers, which are of the sandwich type with two PZT discs each, are fixed to the bottom of the tank.

A variety of options are available including a hard chrome layer on the tank to reduce wear due to cavitation and double the life.

More from the company at 41 Widworthy Drive, Broadstone, Dorset BH18 9BD (0202 696123).

Treatment of water

MAGNAFLOC LT31 is a liquid grade coagulent of the polyamine type. Approval for its use in the treatment of potable water has recently been granted by the Department of the Environment in Britain.

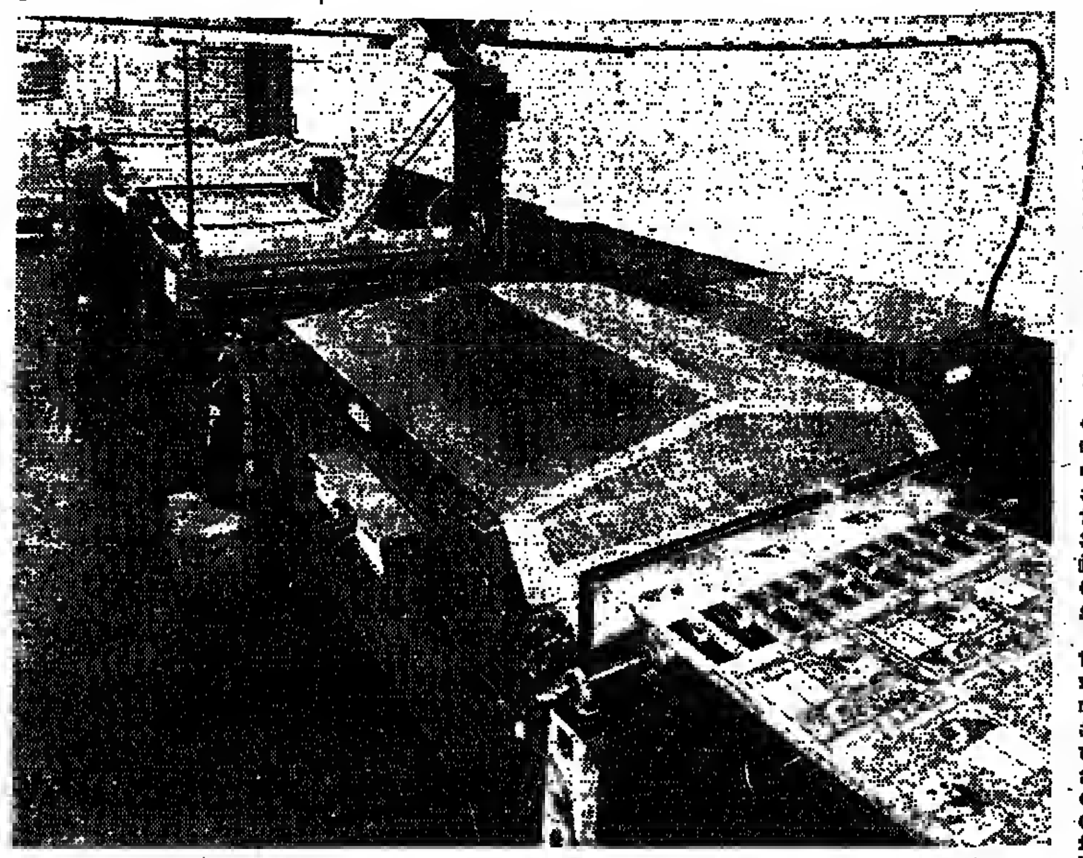
The principal area of application is expected to be as a partial or complete replacement for traditional inorganic coagulents such as aluminium sulphate or ferric sulphate in settlement and direct filtration processes.

A major benefit is the reduction in the volume of aluminium or ferric hydroxide sludge which is normally associated with water treatment clarification processes. These "hydroxide" sludges are voluminous and can involve a considerable cost in respect of their subsequent dewatering and disposal. By reducing the volume produced a substantial cost benefit can be achieved.

Supplied as a 50 per cent active liquid polymer, it is easily handled and applied.

Allied Colloids PO Box 38, Low Moor, Bradford, W. Yorks. BD12 0JZ. (Tel: (0274) 671267).

● PRINTING



A radio frequency drying unit manufactured hy Wiles Engineering of Edenbridge, Kent, has been mounted on this Bush roller coater at Bowater Carton's Gillingham, Kent, wnrks. The coater is used for lacquering or varnishing cartons and was previously used for the application of solvent varnish, which was dried by heat, two-part catalytic varnishes heing used for high gloss finishes. It is stated that the latest combination nf ultraviolet curing and radio frequency drying has enabled Bowater to increase production by about 100 per cent and at the same time avoid release nf solvents to the atmosphere. Ultraviolet curing is used on cartons needing a very high gloss or deep matt finish, while radio frequency drying is applied to water-based lacquers or varnishes tn provide medium gloss finishes.

Fast drying carton inks

FIVE COLOURS and a varnish, printed on carton board will be tack-free in 20 minutes and completely dry in an hour. This claim is being made by Redcliffe Inks of Yate, Bristol, for its latest ink system called Lightning.

The company says the inks used are based on a conventional high-performance formulation, but with additions to produce very rapid drying under infra-red light. The inks are as stable on the press as conventional slow-drying inks and rub resistance is good enough fnr the most arduous packaging applications, it is added.

Redcliffe says its Lightning inks are intended for use as a complete ink/varnish system and give best results—including greatest rub resistance and requirement for the least spray powder—when so used.

However, the infra-red over-print varnish can he used wet-on-wet over conventional inks, or other infra-red inks, when it gives a set off surface long before the inks underneath.

● DATA PROCESSING

Produces cards fast

OPERATING FROM a magnetic tape or direct from a computer the Series 4500 machine from Data Card International will emboss, eocode and top plastics credit cards, print the transmittal forms, insert one or two cards, burst and fold the transmittal and insert it into the window mailing envelope. Speed is 500 cards per hour.

This machine will produce either CR-50 or CR-80 size cards and employs 11 x 8½ in transmittal forms (three part fan-fold). Up to 15 lines can be selected and printed from the 47 available line locations, at a speed of 50 characters per second (10 characters per inch).

Thus, slow, costly and error-prone manual matching and inserting are eliminated.

More from the company at Drayton House, Chichester, West Sussex PO20 6EW (0243 779704).

● ENERGY

Recovery of waste heat

A NEW range of rotary air preheaters designed to recover waste heat from combustion gases and recycle it by supplying hnt air for combustinn nr process requirements such as space heating or drying is being mannfactured by Carter Howden, Argyle Street, Birmingham B7 5TJ (021-326 7111).

These preheaters are designed to handle flue gases up to 550 degrees C but they can be produced to deal with higher temperatures (750 degrees C) if required. Claimed fuel savings are "of the order nf 3 per cent to 8 per cent" depending on the type of application and the fuel used.

Because there is nn heat transfer surface separating the gas and air streams, says Carter Howden, these latest preheaters are smaller and lighter tban tubular or recuperative designs.

● INSTRUMENTS

Fixes the position

MICROWAVE precision position fixing is now in operation at the Port of Miami, where it is being used to provide dynamic accuracies of better than 1 metre for major dredging and re-develnpment work. This sbould double the present area and capacity of one of the world's busiest passenger shipping terminals.

The first phase of the redevelopment, costing an estimated US$65m, is scheduled for completion at the end of 1984 and is being carried out under the direction of Post, Buckley, Schuh and Jernigan Inc., who have been retained by the Dade County Port Authority as consultants for the project.

In addition to setting out control buoys and continuously monitoring the precise position nf dredges, the MRD 1 system from Tellurometer is alsn being used to provide automated pre- and post-dredging cross-section data to compute estimated fill quantities; ancillary operations for which the system has also been assigned include positioning of a magnetometer survey of the main port channel improvement area, locating divers for environmental and archaeological studies; as well as the progressive monitoring of the port improvement as it affects the seabed.

Developed by Tellurometer and designed for hydrographic and aerial survey applications, the MRD 1 is the most accurate position fixing configuration available; capable of realising dynamic accuracies of better than 1 metre over distances in excess of 100km, a range which can be further extended to beyond 200km for aerial survey applications.

The system requires no tuning or calibration, incorporates built-in microprocessor as well as self-test facilities. Operating nn a 3GHz carrier frequency and utilising Tellurometer phase-comparison measuring principles, a basic MRD 1 configuration comprises a portable solid-state master instrument with integral keyboard facility, together with an omni-directinnal antenna and two remote units which incorporate duplex speech links and are sited at pre-determined points.

The configuration thus provides a continnous two-range measuring functinn which can be extended to accommodate a third range by the addition of a further remote; a multi-user option, in which up to six master instruments may share the same two or three remotes using a multiplexed time-sharing technique, is also available.

More from Tellurometer at Oakcroft Road, Chessington, Surrey KT9 1RQ.

● HANDLING

Moves heavy loads

HEAVY plant can be handled with a truck body that lifts, carries and offloads, developed by Gowrings Engineering of Winchester to overcome traditional problems of moving heavy equipment in the construction and allied industries.

Using a Loadlift, as it is called, one skilled driver can complete an entire loading operation at the touch of a button, controlling the hydraulic tail-lift with a 6 tonnes capacity in about 90 seconds. Heavy plant and equipment, excavators, compressors, etc. can be moved to and from confined sites with ease, an operation which would normally defeat a conventional tractor/trailer combination.

The flexibility of the Loadlift platfnrm enables a fork lift truck to be offloaded directly nn to a four-foot loading bay, for instance.

The rear platform area can be lowered to the ground hydraulically for use as a loading bed. Wheeled vehicles or sledge-type pallets can be loaded, either driven or winched on to the loading bed and hydraulically raised nn to the chassis.

Gowrings Engineering, Easton Lane, Winchester. 0962 64411.

● LIGHTING

In better colour

TRUCOLOUR 38 is the name of the latest fluorescent tube from Philips Lighting.

It replaces the Trucolour 37 unit and is some 15 per cent more efficient. It is intended for use where critical colour rendering is important, for example in clinical areas in hospitals, booths and display points in stores, and for art galleries.

The lamp conforms to the Department of Health and Social Security specification DE2.1-DE2.4 and has a colour rendering index (Ra8) of 92.

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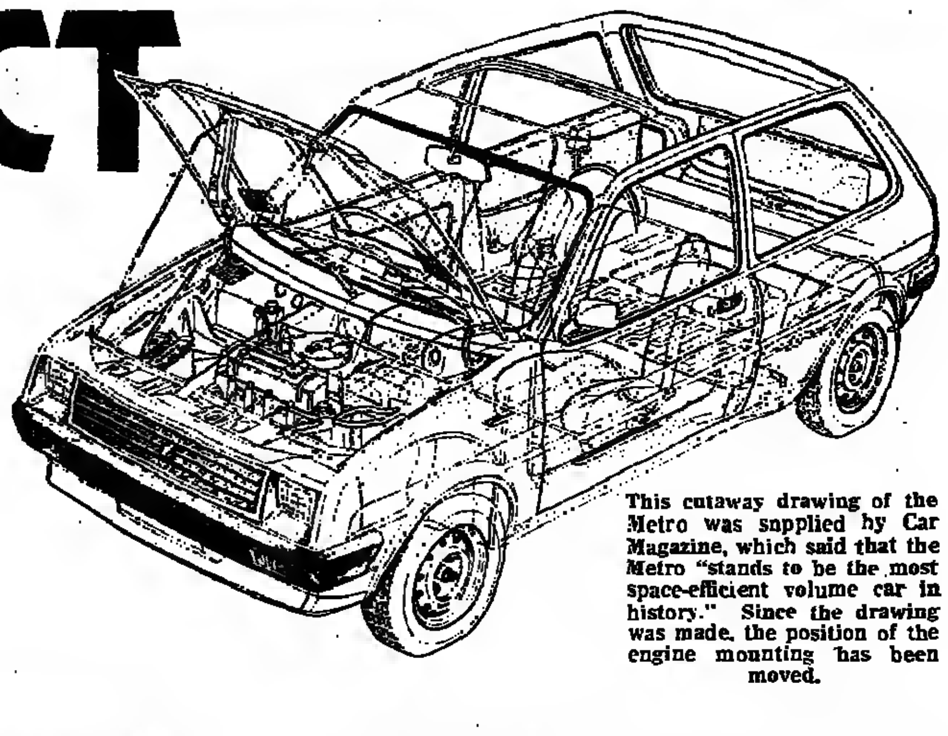
FINANCIAL TIMES SURVEY

Wednesday July 30 1980

THE METRO PROJECT



This cutaway drawing of the Metro was supplied hy Car Magazine, which said that the Metro "stands to be the most space-efficient volume car in history." Since the drawing was made, the position of the engine mounting has been moved.

In October, BL will launch the Metro which it hopes will win at least six per cent of new car sales in the UK and also become competitive throughout the small car market in Europe.

The car that must succeed

By Kenneth Gooding, Motor Industry Correspondent

MR. DAVID ANDREWS, the executive vice-chairman of BL was recently being interogated by an all-party group of MPs and one asked him whether the Metro, the new car the group is to launch in October, really did represent life or death to the volume cars division.

He replied: "If that car fails it would put that part of the business probably beyond recall."

What Mr. Andrews must bave bad in mind was that, not only must Metro generate some of the cash for BL's next stage of product development, its successful launch will also have a profound psychological impact on public opinion.

Just as important, ft will giva BL's 1,800 UK dealers an up-to-date model they can sell in considerable volume. Mr. Tony Ball, who is in charge of BL's world-wide sales and marketing, confidently predicts Metro will take at least 6 per cent of total new car sales, putting it well ahead of the Mini's 5 per cent. Most of the business should be captured from rivals, mainly imports, in the small car market.

This will do much to keep the dealership network from disintegrating. And, as Metro is built to be competitive throughout Europe, it will he the model on which BL will attempt to revive its fortunes on the Continent.

Most of all, Metro will give BL something very tangible to show this Conservative Government that the new management team is capable of producing the goods in terms of the new car model programme, not just supervising the orderly rundown of a morihund business.

The launch of the Metro should provide the right political atmosphere for Sir Michael Edwardes, the chairman and chief executive, to go back to the Government and ask for further financial help towards the next important cars in the range, those to replace Ital and Allegro.

The first of these mid-range cars, the LC10 five-door batchback is due at the end of 1982. The second is code-named AM2 (for Anstin Morris 2). While the Metro and LC10 are batchbacks, AM2 has a conventional three-box design with a boot at the back in order to appeal to the company fleet huyers, who are so important to the UK car market. AM2 is due for a 1983 launch.

Head-on attack

These two cars will tackle head-on Ford's domination of the UK market through its Cortina, which takes around 11 to 12 per cent of total new car sales on its own.

LC10 and AM2 would also give the Austin Morris part of BL Cars the hoost in volume essential if it is to keep both its assembly plants operating at an economic level of capacity.

The Metro will be made at Longhridge, along with the Mini and the Allegro. Some LC10 production could go down the same highly-automated lines as the Metro.

The AM2 range would also help keep the Cowley plant husy. By the time AM2 is launched, Cowley should be making the Bounty, the car jointly developed with Honda of Japan which is to be launched at the end of 1981, and the revamped Princess, a "face-lifted" hatchback derivative of the current model, to he introduced soon after Bounty.

This all adds up potentially to a strong product range, particularly for the UK.

The prohlem is that BL, according to most ohservers, simply caonot afford to finance AM2 and LC10.

On the face of it, the mid-range cars could cost a further £300m—the going rate for car projects of its type. But that could be too high an estimate, given that the £285m spent on Metro included a major overhaul and modernisation of Longbridge so that not much extra work would be needed to add LC10 to its output. LC10 could go down the same lines of robots as the Metro, for example. And all early development work on LC10 has been completed.

Even so, BL would find it difficult to raise half that sum.

When the corporate plan was approved by the Government, last December, it was agreed that BL could bave a further £430m of State cash during the following three years. That total represented the £225m balance of the £1hn promised to BL under the terms of the so-called Ryder plan, drawn up after the Government stepped in to save the group from financial collapse in 1975, plns £205m to meet the cost of redundancies and closures under the company's restructuring programme.

For the financial year 1980-81, BL received an immediate £150m hy way of new capital and a further £150m to be drawn "on evideoce of need." Some £75m of tbat £150m was drawn in May.

Sir Michael has bad oo help whatever from "external factors" since the plan was drawn np. In particular, the combination of an over-valued UK currency, plus bigh inflation has been making life extremely tough for Britisb exporters.

BL has for the past 12 years been Britain's higgest foreign currency earner and so is suffering badly.

Mr. Andrews told the committee of MPs that BL's bigh level of exports—£800m a year against imports of £100m—meant that "if the pound appreciate, we take a hard knock."

Ford, wbich has spread its business across Europe, has a better-balanced trading pattern and could therefore even out currency fluctuations—"We estimate that this has been worth between 2 and 3 per cent on Ford's margins in the past 18 months," commented Mr. Andrews.

In BL's bome market profit margins have douhled for Frencb and German groups and quadrupled for Japanese manufacturers in that time.

This gives the importers much more room to manoeuvre when trying to maintain profitability in the steeply-declining UK new car market.

Export markets

The high value of sterling bas also played bavoc with BL's husiness overseas. Buses and trucks, its major export earners, are heing sold at wafer-thin margins and the Japanese have been able to erode Land-Rover's share of export markets because there is such a wide price differential between their four-wheel drive vebicles and the previously-preferred Land-Rover.

BL's attempts to stop a mass desertion of its dealers in the U.S. has not been belped by the sterling-dollar relationship although there are other more important factors involved—such as the lack of a suitahle model for the States in the range.

So the past few months probably have been as difficult as any BL has ever experienced. And it is faced with a Government determined to make State-owned indnstries keep to their financial targets.

Industry secretary, Sir Keith Joseph, wben questioned about further funds for BL, said recently: "We shall be very, very hard to persuade. BL has a very bard struggle and the people concerned know that it has got to survive on its performance."

Optimists would say that Sir Keith did not entirely rule out the possihility of more cash for BL with that comment. A successful Metro migbt well soften some of the barder hearts at the Treasury.

So, what do we know about Metro, so far? The word "Metro" covers a European range of cars capahle of offering extreme economy at one end or high-performance, bighly-luxurious specification at tbe other.

Among other things, Austin Morris has claimed Metro is very spacious and that it is all usable space. For example, although externally it is smaller than Ford's Fiesta, its major competitor, it offers more internal room than the current Ford Escort.

Running costs will be very low because the car was designed to be easy to service, despite heing front-wheel-drive, and economical on fuel — some people are even suggesting, unofficially, 60 miles to the gallon at 50 miles per bour.

Good fuel economy has been achieved because the car has a very low drag coefficient so that it cuts through the air easily and hecause it uses a revitalised version of the "A" series engine currently used to power the Mini, the Allegro and some Marinas.

AM compared the engine with those of the competition and hecame convinced it had the right torque (pulling power) at low speeds, yet the "long-legged" ahility on motorways. So tbe new "A-plus" engine has been "improved in many respects" — and so has the engine plant at Longbridge—at a total cost of £30m.

AM says that no other model from any manufacturer has been so thoroughly "audited" hefore its launch. Metro has been checked over by engineers and stylists from outside BL. The company has had its fleet customers, distributors and key suppliers in to give Metro a going over. All have been asked to suggest potential improvements.

Road tests

Over 1m miles of road testing have been completed. For the first time in BL's history, prototype cars have been made on the same tools as those to be mass-produced later.

AM is taking a great deal of care with the quality of Metro and this will extend to the cosmetic elements, such as paint work and carpeting.

But can Metro make a reasonable profit?

Tbe introduction of highly-automated production systems for hody building and assembly at Longbridge will put BL on an equal footing with its international rivals. Output at Longbridge is planned to improve from the current 16 to 17 cars a year per man employed to 20 this year and 30 hy the end of 1981. At that stage, it would be up to the best Japanese standards.

BL says it has reasonable manoeuvrability about the price it will charge for the Metro range. But if it follows its dealers advice and prices competitively it would need to sell Metros at the rate of at least 5,000 a week—6,000 a week to be on the safe side—according to many industry watchers.

BL plans to huild up steadily from an initial 3,000 a week to 6,500 by the second quarter of 1981 after the Metro has been launcbed on tbe Continent.

Simple arithmetic shows bow essential it is for BL to succeed with Metro in the rest of the EEC.

Mr. Tony Ball, marketing director, says he aims to achieve 6 per cent of total UK new car sales with Metro. If the UK market stays roughly at 1.5m a year, that indicates 90,000 Metros to be sold in Britain—or 1,800 a week. That leaves 4,700 a week for export.

THE METRO PROJECT II

Advanced technology to ensure high quality

ONE OF BL's major problems will be to convince customers that it can build the Metro to a high quality standard, in spite of the volumes involved.

No amount of advertising claims will help. As Mr. Harold Musgrove, chairman and managing director of Austin Morris, has said: "We must not just satisfy the customer. We must impress the customer. I want the customer to tell us that our quality has improved."

The search for high quality on the Metro begins at the Swindon plant. Each of the 150 presses which will hammer out Metro body panels has a sensor attached to send back messages to a computer which judges if each panel has exactly the right shape. If not, the computer warns the operators to check.

At the other end of the building process the search for quality involves every Metro being taken from the end of the line to a completely new, 6,500 sq ft customer validation building for final inspection, rectification and valeting. A careful checking process will ensure no Metro leaves Longbridge with, for example, marks on the upholstery or carpets. More important, checks also ensure that the paintwork is perfect.

If the paintwork is not perfect there will not simply be a quick touch-up job. Longbridge now has one of the most impressive paint rectification bays in the world.

The £5m spent on the rectification-valeting area should pay off handsomely because customers' first impressions of any vehicle are those involving the "cosmetics," such as paint and other finish.

Computer cootrol is the key element in making a modern car plant operate effectively and the use of computers by BL to monitor and control the way the Metro is built goes as far as anything yet seen in the indnstry.

BL Systems, the group's own computer subsidiary, even devised a unique programme to simulate the work flow at Longbridge before the plant was reshaped and new equipment installed.

Using a colour VDU (visual display unit), BL Systems was able to locate potential bottlenecks and other difficulties much faster thao the conveotional way when scale models are used. This comouter programme—dubbed the "See Why" system — is now being sold to other companies. Alcan has used it for an aluminium smelter and a ship repair yard design team is using it.

Computers check incoming raw materials to be used for Metro for quality—and quantity. Suppliers sometimes do send too much (perhaps they have been let down on another contract and don't want their own stocks to build up) and of course they charge for all that has been delivered.

But each consignment is checked by BL's computers. Light pens are simply wiped across the computer bar codes on cards attached to containers and the computer makes an almost-instant decision whether or not to accept.

Two lines of 14 robot welders are individually controlled by micro processors. Above: robot arms at work on a Metro body shell

Complex system

In the Longbridge plant the computera don't work in glorious isolation but they "talk" to each other. The 19 mini-computers maintain a contiouous dialogue to replenish stock levels, establish exact details of goods leaving, arriving and produce quality inspection instructions.

Using conventional wiring, the space needed and the cost would have been prohibitive. But BL Systems has installed a single coaxial cable called Videodata (for which Ferranti has the UK licence), four-and-a-half miles long into which all the computers, visual display units, light pens and communications systems are plugged.

BL Systems says this is rather like a radio broadcasting system where terminals are tuned to the particular station (computer) they want. It operates by time and frequency division multiplexing and is linked by BL's own microwave telephone network to the very powerful computers at the BL Cars Data Centre at Redditch.

In all, £3.5m of computers and software have been installed at Longbridge.

One example of the "tuning in" process is the way the quality controllers at Longbridge use light pens as the Metros make their way through the building process. The controllers can plug into the coaxial cabla and, by touching the computer card attached to each car in the right place, can inform the compnter about what needs attention.

However, to start at the time when the body panels arrive from Swindon, the building process starts at the panel store in Longbridge which is controlled by seven of the mini-computers.

They make sure that the fully-automatic storage facility has panels and other items stored evenly so that, among other things, one panel does not spend 18 months at the back of the store before it is used.

The first welding process is assembly of the floor pan, a visually-impressive process carried out by enormons Kuka multi-welders. Austin Morris has identified the front sub-frame supports as critical points if Metro is to have a long life and it is important that water is kept out. This is achieved by a comprehensive weld and these sub-assemblies are welded by carbon dioxide on a ASEA seam-welding robot rig before being fed to the Kuka line.

The underfloor assemblies pass by conveyor to body tagging lines where they meet pre-assembled front ends, sides, tailgate apertures before entering one of the two Sciaky body-framing lines.

These lines each have four multi-weld stations which determine the critical dimensions of the body and consistency is assured here by an automatic dimensional check.

There is also a complete three-dimensional check. Twice every shift a sample car body is placed on an 80-ton granite slab immune from any vibration. Every panel and curve is then explored by an automatic probe with a laser-beam head to make sure that the production tracks have not varied even a fraction from the ideal programmed into the computer's memory.

The LK rig which carries this out takes 124 measurements in five hours. By conventional means this process would occupy three to four days.

Now the framework is built up, the body shells move to the two lines of 14 robot welders individually controlled by micro processors and electronically synchronised. These are the rotating and extendable Unimata "arms" which move up and down, in and out, clamping and spot welding the body consistently day after day, week after week.

The bodies then pass to finishing lines where doors, front wings, bonnet and fenders are added. The complete bodies then go to Longbridge's improved paint plant where they receive an electro-coat finish.

Computer control

A key system is the fully-automated painted body store management control computer which makes the decision as to which car will be built next.

It juggles with a variety of information. First, it checks the order bank (what cars have customers ordered?). It checks information from the painted body stores and the parts control system (are all the bits and pieces available?).

It has a look at the assembly line balancing rules (high and low work content cars must be balanced so that bottlenecks do not occur).

All this is done in three-and-a-half seconds.

The computer then tells the stores to deliver the body to the assembly line and calls up the required engine and transmission unit, seating and other major components and produces a vehicle identification plate.

Metro bodies are trimmed and the cars finally assembled in a greatly expanded and modernised main car assembly building alongside the Mini. At the end of the three new assembly lines, every car has a four-minute brake dynamometer test, an emissions test and the Metro has a water test before going on to the valeting and rectification area.

Kenneth Gooding

PROFILE:

Jim Donaghy

FOR Mr. Jim Donaghy, the Metro project has been part of his life for more than four years. He was the man charged in 1976 with the task of pushing through Britain's biggest investment in a new car plant.

Speaking now from the massive body factory where robots are already relentlessly assembling the new car, he claims never to have been daunted: "I did not look for someone to give me detailed terms of reference. I said that whatever it takes to make the project a success I will do."

A practical man who rose through the management ranks, Mr. Donaghy joined Fisher and Ludlow, in Birmingham, as an engineering apprentice in 1952. Rather than "get left in a backwater," he moved in 1966 to Ford where he gained what proved to be valuable experience for his present job.

At Ford, Mr. Donaghy worked in the team that planned the $100m investment in new assembly facilities in Europe for the Fiesta model.

"I had not thought of leaving Ford, but in 1974 I had an approach from British Leyland," he says. The job offered was as production engineering manager for body and assembly activities within the cars division.

So exciting

"It seemed a much more exciting and demandiog job." He laughs: "I did not realise at the time just *how* much more exciting."

At the beginning of 1976 Mr. Donaghy was asked to put the Metro project into action. He gradually built up a launch team, covering all aspects, such as finance, personnel aod purchasing, but it never numbered more than 12.

Each of Mr. Donaghy's specialists was able to drsw upon the resources of his own department — "That way a lot of people were involved in the Metro project and knew what we were doing. There is always a risk that such a project team can be regarded as elite and become remote."

There was never any risk that Mr. Donaghy would become remote. He bas been an ever present on the Longbridge site, working a 12-hour day, six days a week. Asked whether there had been time for holidays, be laughs: "I am supposed to be on one now, but don't tell my wife."

On a serious note, he stresses the importance of making himself available to take quick decisinns and deal with unexpected problems that might arise.

A key factor that has helped smooth progress on the project is the good rapport Mr. Donagby has established with the trade unions. Senior shop stewards speak *highly* of his "blunt and honest" approach.

As head of the launch team, Mr. Dongaby has the final responsibility to "sign off" each aspect of the project. On labour relations, for example, he must be satisfied the necessary agreements have been reached on manning and methods of operation. "Once I say 'yes we can do it' we have to be able to do it."

Arthur Smith

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Encouraging trend in labour relations

A BREAKTHROUGH in labour relations at Longbridge—BL's biggest plant and one with a troubled strike record—suddenly seems possible. There has been a marked change in attitude by the 20,000 strong labour force in recent months and nowhere has it been more pronounced than in the Metro body shnp—the new 750,000 square feet building that houses the robots and computers that represent tha latest in car assembly technology.

The 1,000 workers already recruited to operate the highly automated equipment have identified with the Metro project and distanced themselves from the more mundane disputes—such as the protest walkout over tea-breaks—that have troubled Longbridge in recent weeks.

From the outset, the Metro project, drawing upon the best work practices and technology available to the motor industry, was seen as a way of involving the workforce and changing attitudes to work. While BL would concede that efficiency, rather than sociological theory, has been the principal criterion for the choice of equipment, the cynicism of the critics has not been justified.

Even union officials express surprise at the ease with which BL appears to have gained the co-operation of the workforce for new work practices. Mr. Jim Donaghy, the man heading the Metro management team for the past four years, says: "We have done more than estahlisb a building and management structure. We have created an environment where employees associate with the product rather than their own job. They accept responsibility for their part of production and take pride in its efficient operation."

BL management travelled the world, visting plants in Europe, the U.S. and Japan before chosing the equipment for Longbridge. The emphasis for the Metro is upon ease of assembly, giving the repetitious and ardnous tasks to machinery rather than men.

The fundamental change in work practices can be illustrated by an examination of manning levels of the two Kuka multiwelders, each costing around £3.5m. Each machine is capable of 650 spot-weld operations and joins together the front, rear and centre sections of the Metro underbody.

The section is manned by eight to ten operators, six maintenance men, nne supervisor and one inspector. Conventional manufacturing would require an 80 per cent increase in operators who would, nevertheless, be working at a lower speed. Kuka operators, rather than confined to one routine process for the whola day, have a renge of activities from loading the machinery to manual operation of a robot or spot-weld gun.

More efficient

Overheads are cnt on the Metro by more efficient nse of supervisory and inspection staff, but perhaps the most dramatic economy is in the effective uae of maintenance staff. At BL, the craft groups are organised separately as electricians, machine tool fitters, pipefitters, and millwrights. In the event of a machinery breakdown, the production foreman would have to go to the trade foreman of each of the skilled gronps to enliat their aid.

Often it is difficult to assess, initially, whether it is an electricat or mechanical fault. Indeed, while an electrician migbt be able to rectify a simple fault on a machine tool he might have to call in a pipe-fitter to dismantle the hydraulics and a tool fitter and millwright to remove other parts.

For the Kuka machine agreement has been reached with the craft unions that the six-man maintenance team will be comprised merely of electricians and machine tool fitters. These men will act as a team in the event of any breakdown and call in specialist crafts whenever necessary.

BL insists that skilled men are not being asked to cross demarcation barriers. They are simply able to respond to problems more quickly and diagnose the faults. Another advantage claimed is that maintenance men are responsible not for the whole range of plant, but for specific machines which gives them a greatar responsibility and pride in their work.

Longbridge management maintains that agreement has been reached with the trade unions on the balance of skills for each of the production processes. Maintenance of the seven miles of overhead conveyors in the hody shop, for example, is split between the electricians and mill wrights.

BL attributes its success in negotiating flexibility in the use of labour in what is a highly sensitive area to the fact that it reqnires a net increase in use of akills. Whila each of the craft unions has had to hreak from tradition, there has been no loss of membership or jobs.

The flexibility in working methods and co-operation of the workforce to change owes much to tha worker participation machinery iotroduced at BL shnrtly after the Government rescue ln 1975.

From September, 1976, a committee of 11 seoior shop stewards and eight managers met regularly to plan the Metrn project.

"We gathered at least once a fortnight and sometimes four times a week, if tbere was a particular problem to sort out," says Mr. Donaghy.

"The trade uoions made a valuable contribution. They helped decide the method of production. If they came up with a good suggestion we incorporated it."

Indeed, it was as the result nf a visit to the Fiat factory ln Italy that the trade unions recommended "the teamwork" concept, with workers required to co-operate in a range of operations rather than specialising in one repetitive task.

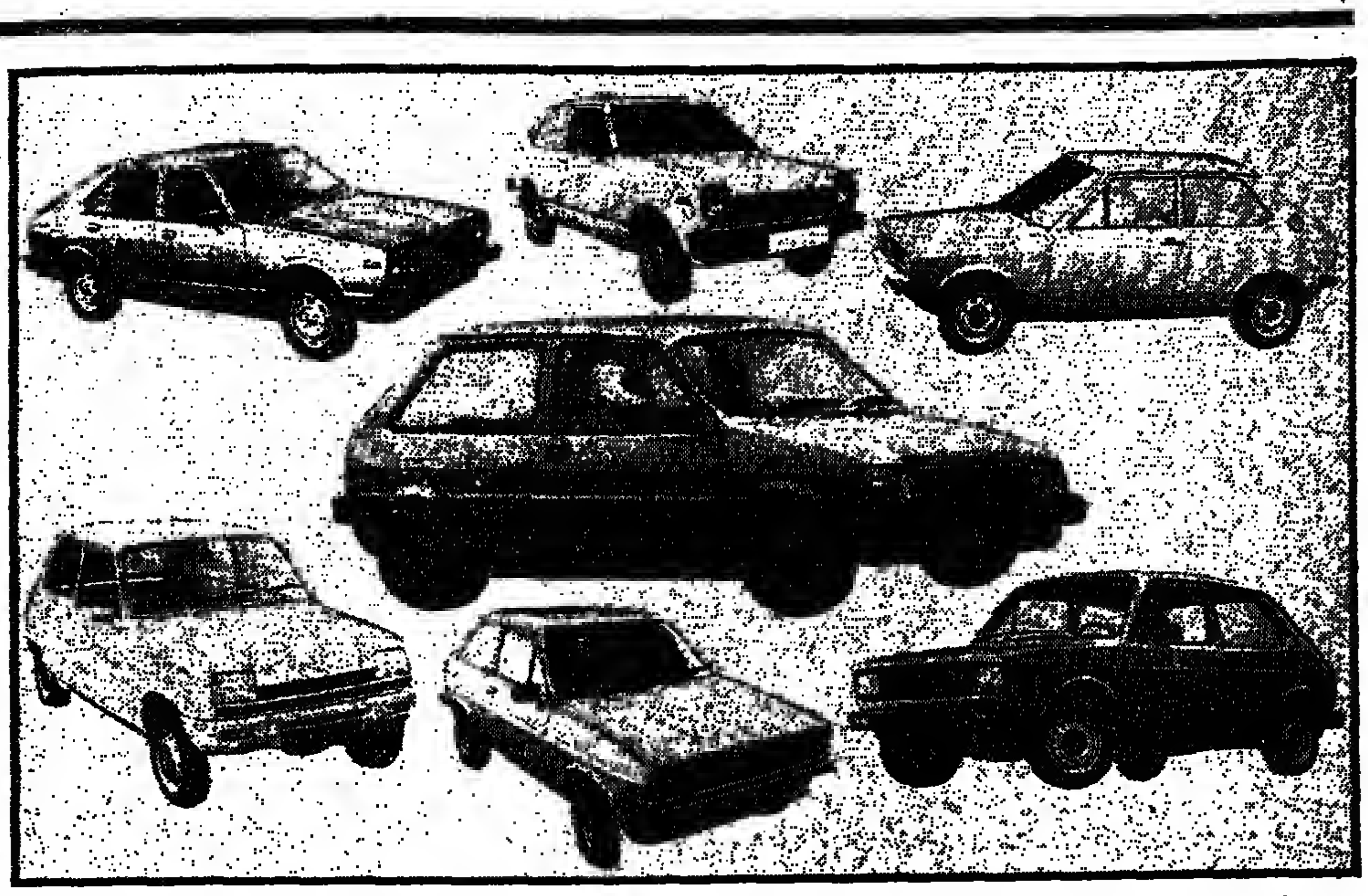
The sbop stewards hecame so committed to change under the leadership of Mr. Derek Robinaon, the Communist convener, that they lead the way. Mr. Donaghy reports that, during 1978, workers in the paintshop were required to undertake three fundamental changes in operations.

"A great number of people were affected hut co-operation was tremendous. At one point, we managed to maintain production even though construction work meant the digging of a massive pit, 45 feet long and 20 feet deep."

The Longbridge stewards pulled out of participation last autumn in protest at both the alleged lack of progress in worker democracy and also the company rationalisation plan involving more than 25,000 redundancies.

But Mr. Donaghy argues that the loss has not been significant becauae a relationship had already heen established between management and the workforce—"I get phone calls from stewards and management alike as soon as a prohlem begins to appear. Any new work practices do not come as a surprise because we have discussed them at length. Everyone knows what is going to happen."

Arthur Smith



In the centre, BL's new Metro, surrounded by some of its rivals in the small car market. Top row, from left to right: the Datsun Cherry; the Toyota Starlet and the VW Polo; bottom row, from left, the Renault 5, the Ford Fiesta and Fiat 127

Fierce rivalry in small car market

IN 1977, BL changed its mind about producing a replacement for the Mini. It decided instead tn go for a new segment of the car market which it saw opening up. As customers' purchasing power increased, huyers demanded cars with luxury features. At the same time, the sbarp rise in the price of petrol was a constant reminder ahout the cost of running a car.

BL decided it needed a car with luxury features, hut a low "cost of ownership."

During the development and subseqnent processes, BL attempted to make Metro better than any otber car in its class by comparing everything that was done with the aims set out in a very corny acrostic.

It went like this:

S, for space: Metro is smaller, outwardly, than a Fiesta, but has more space inside than an Escort. And the intention was to obtain usuable, flexible space. (No wheel arches filling the bnot).

U, for user costs: BL aimed to keep the Metro easy to repair, and easy to aervice. However, the major element in the "cost of ownership" is depreciation. Second-hand value will depend on C.

C. for certainty—which BL used to describe a combination of reliability, durability and quality.

C. for comfort: This includes ride quality and noise levels.

E, for economy: But economy was not to be achieved at the cost of drivahility.

S, for safety.

S, for style: The style had to be practical — for example, giving good visibility, and a low drag coefficient.

Put the letters together and you have "success." Or so BL hnpes.

According to those who have driven the Metro, BL has achieved everything it set out to achieve. They are not unbiased observers, of course, coming as they do from within BL itself. One of the Metro's greatest fans is Sir Michael Edwardes, the chairman.

The BL people claim that Metro has the "magic" ingredient missing from many small hatchback cars—a distinct character of its owo. Metro will need that extra edge because it is up against some tough competition.

Not so much in the UK, however. Provided BL can produce tbe car at a steady volume and achieve anywhere near the quality it has been aiming for, then the 6 per cent share of the total new car market which the group aims for with Metro, should be achieveable.

There are 1800 BL dealers around the UK who are desperately waiting for the car. They have many customers wanting to take delivery. BL will have at least 6,500 Metros with the dealers by launch date.

Greater demand

However, "character" as compared with the hlandness and "sameness," often associated witb small, front-wheel-drive hatchbacks, will certainly help BL sell Metro on the Continent. This style of car is in much greater demand on mainland Europe and therefore the search for something out of the ordinary is more keen among customers.

BL hopes to achieve pan-European coverage with Metro hy next April. Tn some extent, though, that will depend on the way production builds up in the UK and how long it takea to satisfy demand in the home market.

BL also hopes that Metro will be the car with which it can strengthen its Continental dealersbip network. With the right product, more and better dealers will be easier to attract.

In Britain, the small-car market has sprung from only 9 per cent of total new car sales in 1970 (nearly all accounted for by the Mini which sells at the rate of 70,000 to 80,000 a year and peaked at an annual 120,000) to 18 per cent this year.

The small-car sector is really divided into two segments—one for people who want a second car or a runabout, a classless kind of vebicle. BL expects the up-graded Mini to compete in this segment for some years to come.

The second segment is the "family batchback" sector. As this description suggests, it has heen mainly an area where the private buyer is predominant, unlike so much of the UK new-car market where the company car fleet huyers reign supreme.

Metro will mainly be taking on importers wbeo it is launched. Imports account for around 60 per cent of small-car salas. Ironically, Fard's Fiesta is generally perceived to be a "British" car and is often bought for this reason. In fact, Spaoish-built Fiestas account for rougbly 20 per cent of the small-car sates in Britain and help keep the import cnntent very high.

Fiesta is Metro's main rival in the UK. Last year, Fiesta took 3.42 per cent of total new car sales with around 55,500 registered.

The other cars whicb Metro will challenge, in descending order of importance, are: the Datsun Cherry (1.17 per cent of the 1979 new car market); the Renault R5 (1.33 per cent); the Volkswagen Polo (1.05 per cent); the Fiat 127 (1.0 per cent); the Toyota Starlett (0.46 per cent); and tbe Honda Civic (0.22 per cent).

Kenneth Gooding

THE METRO PROJECT IV

Concern among the car component suppliers

THE HOPES of much of the UK motor components industry, particularly in the Midlands, must rest on the sales performance of the Metro. The importance of the new car lies not just in the immediate orders it will bring but in whether BL can halt the seemingly inexorable slide in market share.

Sir Michael Edwardes, the BL chairman, in a recent speech defending his company's purchasing policy gave figures which underline how vital the State-owned concern is to the suppliers. He said BL buys well over 90 per cent of components in the UK, spending around £2bn each year with 7,000 businesses.

But it is not only the well-publicised problems of BL that are causing concern in the components sector. Companies already struggling on the export front because of the strength of sterling and the weakness of overseas markets have been hard hit by the recent sharp fall in UK demand for cars, commercial vehicles and tractors.

The latest forecast from the Society of Motor Manufacturers and Traders is that UK car production will total little more than 920,000 this year, compared with just over 1m in 1979. The full extent of the decline of domestic car assembly in the face of rising imports can be appreciated from the fact that output in 1972 reached 1.9m.

In the commercial vehicles sector, whose difficulties are only too well illustrated by the recent decision of Fodens to call in a receiver, output this year is expected to drop to 375,000 from the 408,000 of 1979.

Against that gloomy background many component suppliers are considering whether to reduce capacity. Short-time working is already widespread and companies such as GKN, Wilmot Breeden, and Renold have announced redundancy programmes.

The depth of the recession is perhaps best seen in the plight of the ferrous foundry industry, which supplies more than a third of its output to the automotive sector. Up to 50,000 workers are currently on short time. Birmid Qualcast, with one of the biggest foundry operations in Europe, has shut four plants and shed more than 1,760 jobs in the past 12 months.

Labour force

Many component makers are looking for a cut in their labour force of around 10 per cent. The extent to which that can be achieved through natural wastage rather than redundancies will clearly rest upon the performance of the vehicle assembly industry over the next few months.

Mr. David Owen, chairman of Rubery Owen, suggests that some companies may delay firm decisions until autumn production schedules become clearer. An important factor will be the August car sales with the introduction of the "W" registration.

One of the problems with which the components sector is grappling, the strength of the pound, has been highlighted by Sir Michael Edwardes. He declared that BL intended to "go on buying British wherever possible," but pointed out that the commercial pressures to buy foreign were very considerable.

First, the strength of the pound provides a very significant price advantage for overseas producers. Second, the UK rate of inflation is adding to costs, which in turn is being fired by high wage settlements."

Sir Michael said 40 per cent of BL's suppliers had made wage awards this year of 17 per cent or more, compared with the company's own deal at 7½ per cent.

"We have made it very clear to suppliers that we cannot allow them to pass on inflationary wage increases to us through increased costs while our own employees have settled realistically well below inflation."

Sir Michael warned: "If this means UK suppliers become uncompetitive, then we really have very little alternative but to look elsewhere, where prices are lower and enable us to contain our prices."

The message about wage costs had already been taken on board by the components companies. Lucas Industries has told leaders of its 65,000-strong workforce that in the current trading climate increases of more than 10 per cent cannot be contemplated.

What is worrying suppliers more about BL is the question of the company's ability to lift market shares from the 17.8 per cent achieved in the first six months of the year. The company's weakness in recent years has been its ageing model range. The launch of the Metro in October should give a powerful boost, as should the new car to be made jointly with Honda of Japan.

But while suppliers can see the benefit to BL of turning to Honda for the quick introduction of a new model, there is considerable scepticism about the amount of business the UK components industry will win.

The engine and transmission for the car, code-named the Bounty, will be imported from Japan, but BL has said the UK content will eventually be well in excess of half the cost of the vehicle. Suppliers point out, however, that with lower production runs and the complicated Japanese pricing structure it will be difficult to compete.

Development work is going ahead on BL's planned new middle range car, the LC 10, but suppliers are conscious that whether or not the investment is ever undertaken will depend upon the company's performance this year and indeed upon the success of the Metro.

Given the uncertainties which have hung over BL in recent years, suppliers have attempted to reduce their dependence and to increase exports. Such a strategy has been pursued successfully by companies such as GKN, Lucas and Automotive Products which have the technical expertise and resources to develop overseas markets. Such companies have invested in the U.S. to take advantage of the trend towards smaller European-type cars.

A study undertaken by the Department of Industry in the West Midlands suggested, however, that of companies which had attempted to diversify into non-car work only 7 per cent had been successful. The problems were caused by lack of sales experience, machinery too specific to the motor trade, and the need for long production runs. Another factor, particularly relevant as industry moves more deeply into recession, is the lack of other opportunities.

Nor is the move into export markets an easy option. The study showed that two thirds of the components companies had no overseas sales at all and few were optimistic about the potential.

Prospects at the moment can only be described as grim as sections of the U.S. and European automotive industries go onto short-time in response to falling demand. Even Lucas Electrical, in calling for a cut of 3,000 in its labour force, pointed to the problem of competing in overseas markets.

The UK components industry, with little else to give it cheer, can at least look to the October launch of the Metro with the hope that BL will be made that much stronger.

Arthur Smith

Over £200m invested in new equipment

THE £275m INVESTMENT in new and improved production facilities for the Metro project, of which more than £200m has been for equipment alone, represented one of the biggest opportunities for British engineering in the past decade.

BL's requirements of its potential suppliers were stringent from the financial, technical and delivery points of view. It was well known that BL did not have limitless supplies of cash. It had entered the market late for this type of car, so it had to be assured that the whole project would be working within the shortest possible time, within the limits imposed by getting it technically right first time. But above all, BL was entering the arena of using particularly sophisticated equipment, much of it requiring the suppliers to make a technical leap.

The equipment industry, on the other hand, had enjoyed fewer opportunities for keeping up to date than the Continental competitors who have been supplying their expanding motor industries. The industry had shrunk in the absence of orders, with the result that it could not meet all of BL's requirements within the time scale.

BL's policy

Nevertheless, BL says that 80 to 85 per cent of the equipment ordered for the Metro is British. BL's policy is to "buy British" where possible, as long as the specification, price and delivery matches those of foreign competitors. In some areas of equipment for the Metro, this was not possible. Most significantly, this applied to the multiwelders supplied by the German company, Kuka, which are used for welding together the three principal panel assemblies used for the Metro underfloor, the whole job performed in one operation.

The complex machines are controlled by a series of programmable logic controllers which monitor the sequence of manufacture. The Sciaky automated body-framing lines, supplied from France, are the other major exception to the British rule. These incorporate a series of four multi-welding stations which determine the critical dimensions of the body and perform key spot welding operations. Both Kuka and Sciaky have supplied similar welding complexes to Continental motor manufacturers, and it was undoubtedly the the proven ability of these installations which decided BL in going abroad. Some of the sub-contract work, however, was done in the UK. In the case of Kuka, this amounted to 15 per cent of the final equipment.

The British welding machinery specialists, British Federal (part of the Laird Group), has supplied four body side assembly lines. These are also controlled by programmable logic controllers, and the system incorporates an electronic weld control system developed in conjunction with BL.

Mr. Duncan Ewan, managing director of British Federal, says the Metro project has provided a tremendous impetus for British industry. It was imperative that we could show the world that we still had the skills for the design and manufacture of such systems."

British Federal's contract with BL was worth £2.5m. The company also tendered unsuccessfully for the welding complexes which went to Kuka and Sciaky, its main drawback being that it did not have the capacity to meet BL's strict delivery schedule. VS Engineering, another British company, has also supplied sophisticated welding equipment on the project.

The new West Works body factory at Longbridge is where much of the advanced technology on the Metro is concentrated. As well as advances in welding, the factory has impressive storage and handling facilities. The body panels storage "warehouse" (which is complemented by the painted body stores in the main Longbridge plant) has been designed and constructed by Jenkins of Retford.

The warehouse (controlled by seven mini-computers) comprises automated narrow-aisle cranes which can reach any of the 3,000 storage ranks and deliver pallets within 57 seconds. Automated warehousing has been slow to gain acceptance in Britain, and there are few British companies which can put together a facility such as the one at Longbridge.

The project undoubtedly had a beneficial effect on this key area of handling, but it has turned out to be one of the last major unit-handling projects for Jenkins. The company is owned by Babcock and Wilcox, which also owns FATA, a European-wide group with extensive experience in a similar field. Babcock and Wilcox has since decided to absorb Jenkins' unit-handling into FATA.

FATA has supplied the overhead conveyors in the new West Works—a contract worth £4m.

Much of the interest on the Metro's production facilities has already centred on the extensive use of welding robots. The robot industry was in its infancy when the Metro project received the go-ahead, but since then, Unimation, which has supplied 28 robots, has decided to assemble robots in Britain. Two other robots have been supplied by ASEA of Sweden.

The machine tool requirements have been met mostly in the UK. Although they are mostly conventional machines, BL's orders have provided substantial work.

Some respite

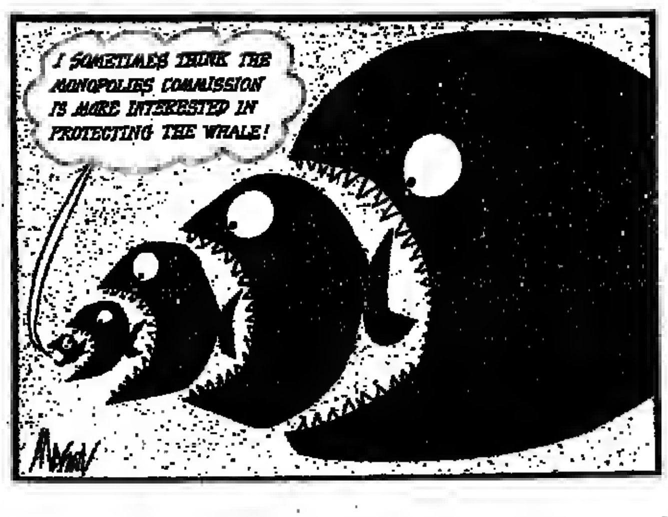
Re-equipment by the motor industry is vitally important to the machine tool industry. As in other areas of equipment, it has been the relatively low rate of investment by motor manufacturers in the UK over the past decade which has contributed to the decline in the size of the machine tool industry. The Metro project has provided at least some respite from an otherwise gloomy scene for this industry, and for other areas of process plant.

As well as the major pieces of equipment, the Metro project has provided work for many other areas of engineering, such as compressed air equipment, air handling equipment, and constructional steelwork. But for some parts of industry, the project came too late to prevent the contraction which lack of orders had enforced. There are export opportunities, of course, and many machine tool companies, for example, have benefited from the heavy investment programmes by the American motor industry. But they will all agree that there is no substitute for a healthy home market.

Hazel Duffy

Merger policy: a slight flexing of the muscles

BY A. H. HERMANN



AT LONG last the British Government seems to have mado up its mind about merger policy. As Jnhn Nott, the Trade Secretary, indicated in his long-awaited statement on mergers earlier this month, it is to remain flexible, but more sceptical of mergers which reduce competition and do not contribute to the efficiency of management. The new policy also offers further protection to small companies against predatory bids and will facilitate de-mergers by changes in tho tax regime.

But tho tougher stance on mergers is not likoly to be too tough. Thore may bo a few more references to the Monopolies and Mergers Commission of conglomerate mergers—bnt not too many.

It bas been beld that tho tax system has encouraged mergers and has contributed to tho pace of integration. This bas led tn the doubling of the sbare of the 200 largest British companies in the country's manufacturing output dnring tbe past 30 years. These companies now account for about half of manufacturing employment. Their invostment funds are allocatod internally, which is theoretically a bad thing aince It shields woak projects from the scrutiny of tho market. But this objection has little validity in tho present British situation, where tho market is at the mercy of fund managers who are no more imhued with a spirit of competition than a flock of sbeep.

Indeed, there may be more competition between the subsidiaries of a large group than between two separate combines. But this internal competition is unlikely to promote the radical structural changes which the country's economy may neod as a result of technnlogical, social or international developments.

In view of the mainly financial motives which in Britain have brought about a concentration of industry which is probably greater than in any country of comparable size, it is not surprising that a spirit of adventure is absent from many mergers.

The Vickers and Rolls-Royce Motors engagement is typical of this. In vain does one look for a vision of new products or new markets or the prospect of a progeny of specialised subsidiaries which would carry the combined expertise of parents into new fields. More prosaically, Rolls-Royce Motors needs the money which Vickers may soon receive in compensation for its nationallsed aircraft and shipbuilding operations and Vickers needs to replace theso interests.

The fiscal causes of concentration can probably nnly be removed by a reform of the tax system. But the new, moro active merger policy of tho Covernment underlines the need for a better understanding of tho scope of antitrust measures — the direct control of concentrations invented in tho U.S. and practisod most notably there and in Cormany.

British Covornments have had the power to stop mergers since 1965, and in the past 15 years ovar 50 merger references to the Monopolies and Mergers Commission (MMC) have resulted in the prevention of at least 30 significant mergers.

However, no clear mergor policy bas been evident. Neither government officials concerned witb these matters nor captains of industry seamed to know wbat it was the Government wanted to do in this important aroa of economic management.

In the UK the law gives the merger the benefit of the doubt; it can be stoppod only if proved tn be "against the public interest," so that tho Covernment bas an almost completely freo hand. The 1978 Hans Liesner consultativo document on monopolies and merger policy (Cmnd. 7198) proposed that merger policy should be shifted from "favourable" to "neutral." It proposed that the Covernment should explain the now policy and lay down non-statutory guidelines calling for a "critical" assessment of all mergors that would have a significant effect on competition or economic power. The Fair Trading Act 1973 was to he amendod to oblige the MMC to detormine "public Interest" by balancing detriment of reduced competition in one hand, and the Improvement in the international competitiveness of industry in the other.

The first two of these recommendations seem now to be accepted, though with a fine difference in emphasis which suggests that the Government is less critical of mergers than Liesner's Committee was.

But much has still to ho done to translate the new philosophy into practice. The 1973 Act made companies with assets up to £5m fair game for acqulsitors, by applying controls only from this level upwards. In March 1980 the Govornment raised this threshold of control to £15m.

On two occasions in 1979—In tho cases of Thorn's bid for EMI and Calor Gas' hid for Glocas—tho Covernmont rejected the recommendations of tho Director General of Fair Trading that theso morger proposals should bo referred to the MMC. Only throo industrial merger references were made last year; CEC's bid for Averys, Merck's bid for Alginate (AIL), and FMC Corporation's bid for the samo targot company. In addition, there were two references of Press mergers wbich cannot be effected without Government approval—ono was approved.

The three industrial merger roferences represent only little more than 1 per cent of the 1979 merger projects falling under the Fair Trading Act, and less than balf a per cont of tho total of 534 industrial and commercial morgors reported in that yoar. Moroovor tho attitude of the MMC bas been consistently "soft."

It found that none of the tbree mergers roferred to it in 1979, nor tbo Lonrbo bid for SUITS referred to it oarlier, wore likely to operate against the public interest. It was unanimous in not finding against the proposed acquisltion of SUITS by Lonrbo, and the resulting prospect of a merger hetween Lonrho and the House of Fraser. In the Mork/AIL case the MMC rocognised that the mergers could have "adverse consequences for AIL's employees In Scotland In certain circumstanccs," but thought they would make "maintenanco of employment In Scotland more secure"—apparently contradictory observations.

Wisdom

Of particular interest, in view of the controversial role of financial resources in conglomerate mergers, was the MMC's "in principle yes, in practice no" wisdom displayed in the GEC/Averys report: "Theoretically, it would he possible, after the merger, for GEC to use its greater financial resources to subsidiso the supply of Averys' goods and services, in order to roduce or eliminato the existing competition. In practice the Commission did not think this would be likely to happen, and GEC had told the Commission that it would have no sucb intention."

It would, of course, he wrong to concludo that merger control had no restraining effect wbatsoever. Ono is told that many merger projects are dropped after informal consultations with the Office of Fair Trading (OFT) and the Department of Trade. But tbe deterrent has been used with moderation, as is evident from the OFT Report for 1979: of the 257 companies acquired in 1979 and subject to control, 22 acquisitions achieved a market share of 25 per cent or more. Half tbe 257 mergers were of the horizootal type. 18 ware vertical and a full 107 were conglomerate mergers—a proportion which underlines the importance of financial considerations in merger decisions.

This year the paco of references has quickened. On February 1 the MMC was asked to report on the £80m bid of Hiram Walker, a Canadian distillery, for Highland Distilleries. A month later followed the reference of a conglomerato merger project, tbe acquisition for £33m of Armitage Shanks, the sanitary-ware makers, by Blue Circle Cement. Finally, in June, tho S. and W. Berisford takeover bid for the Britisb Sugar Corporation was referred to the MMC.

John Knott indicated in his speech that it is not proposed to adopt the philosophy of U.S. Anti-trust controls whicb are burdened with a good deal of roligious fervour. Concerned mainly with an enormous domestic market, tbis philosophy is egocentric and absolutist; anything which reduces competition in the U.S. domestic markot is bolioved to be essentially ovil.

Under the influence of the post-war U.S. occupation, Japan and Cermany adopted the concepts of American antitrust controls. Since then Japan has all but discarded the faith, but Cermany continues to profess the undilutod creed and has recently tightened up the control of mergers and monopolies.

However, it must not be forgotten that German business has a great capacity for undercover "co-ordination" and restrictivo practices. Tbe hold wbich the German universal banks have on industry, the system of one union per industry, as well as generous government aid for industrial restructuring, combined with relatively high worker mobility, provide a unique background which softens the impact of the rigorous Federal Cartol Office.

Even with this reservation, important measures have been taken in Germany for the protection of small and medium-sized industries against larger predators.

The fourth revision of the Cerman Competition Act adopted in February, 1980, reduced from DM 50m to DM 40m the turnover ceiling of entorprisos which can bo freely acquired by companies with sales of more than DM 1bn.

Tho revised statuto also introduces limits to market domination whicb hit conglomerato and vertical merger projects particularly in areas whore small and medium-sized industries aro still important.

Other provisions aro designed to stop existing nligopolies from getting stronger through mergers. In particular, it confirms the doctrioe that the superior resources of the acquiring enterprise may undesirably increase the market power of the target compaoy. The doctrine was formulated by the Federal Supreme Court when it banned the acquisition of Sachs by GKN.

While mergers satisfying the statutory requirements of size and market share *may* be prohibited in the UK if they are likely to operate against the public interest, in Germany such mergers *must* he prohibited if found to be anti-competitive. They may only be reprieved by the Covernment on the grounds of overwbelming public interest.

The German system is strict, legalistic hut highly predictable, aod provides effective protection to those industries composed of small and medium-sized enterprises against penetration of giant companies.

In comparison with both the U.S. and German models, the UK system of merger control—even given the new, stricter policy—appears weak, flexiblo and unpredictable. So why should it be any differeot?

This is not a question for competition oxperts. Competition must be considered as part of economic strategy and this, in its turn, must be shaped to satisfy social and political aims. For this reason the belief that anything which restricts competition is in itself absolutely evil bas never been accepted in Britain.

A sacrifice of competition at home may Increase competitiveness internationally. Not only accession to the EEC but also Britain's adherence to GATT since 1948 and the gradual worldwide reduction of tariffs, bave cbanged and expandod the markots in wbicb British industry operates.

While tbe need to compete internationally argues for large powerful groups, tbe need to avoid starving wholo regions of both business activity and employment makes it imperative to ensure the survival of smaller onterprises. Their survival appears essential if the economy is to retaio the flexibility to adapt to tho rapid changos in markets dictatod by the equally rapid changes in technology.

Put a little organisation into your life

IT IS increasingly evident from the responses of small businessmen at conferences, seminars and other meetings that a major problem they still face is where to seek advico on a varlety of questions concerning finance, exporting and a host of other matters.

All tno often, it seems, they are unaware not only of the assistance they can get from their bank, accounlant and othor professional advisers, but also those organisations that exist to represent them—tbe cbambers of commerce and the various federations and associations.

The Leicestershire Small Firms Centre is aiming particularly to plug the gap hy the simple means of a guide, called "Which Voice?" to tbe major organisatlons. Though not entirely comprehensive, it ombraces all the key institutes, associations and federations.

Tbe organisations themselves bave provided material on the services they offer and some bave also highlighted examples of the way in which they operate to the benefit of small firms.

The Association of Independent Businesses, wbich claims to be the "voice of Britain's independents," and whicb applies a financial yardstick rather than that of the number of employees in admitting companies to membership, does not miss the opportunity to take another of its regular swipes at business legislation.

The statute book, it suggests, is "a spaghetti junction of employment laws, company laws and rules and regulations on everything from exits to production statistics."

National Federation of Self Employed and Small Business tells how it sprang to the aid of two small businessmen in their battles with Customs and Excise over Value Added Tax—described hy the federation as "certainly ooa of tbo major problems of the small man." But the federation also polnts out that VAT is just one of more than 100 different issues with which it has concerned itself on bohalf of its membership.

The Association of British Chambers of Commorce, in additioo to explaining the services it provides, points out some of the problems that exist regarding the constitution of the various chambers. Some, it says, could more appropriately be described as "chambers of trade" as their membersbip is predominantly retail. Legal protection has been sought for the name "chamber of commerce," as it has heen with most of its European partners, "but so far to no avail."

The CBI's director for smaller firms reflects nn how the involvement of big companies in such business-generating bodies as the London Enterprise Agency, Actioo Resource Centre and the Small Industries Group, are not philanthropic gestures, but sound commercial practice. "Large firms are only too aware of the growing interdependence of the modern economy," he says.

Though there are ona or two examples of the frequent claim by individual small business organisations that they are much hetter oquipped than any of tbe others to represent small firms, the guide ganerally shows how each has its own particular part to play.

The guide is available from the Leicestersbire Small Firms Centre—whicb is a Leicester Polytechnic and Leicestorshire County Council joint vonture—at 8, St. Martins, Leiceater LE1 5DD.

Nicholas Leslie

BUSINESS PROBLEMS

BY OUR LEGAL STAFF

Offer priority

If holding company "A" goes into voluntary liquidation and sells its 90 per cent sbarebolding in company "B," who has preferenco in the purchase nf tho shares: the majority sbarebolder of hoiding company "A" who has only one share in company "B" or tho majority shareholder of company "B" who owns tho remainder of tho shares in company "B"?

The answers to your questions depend on the torms of tho Articles of Association of company B. Tbe articles probably provide for sbares to he offered to other members of the company first, so tbe question would bo wbether they must be offered pro-rata. In tho absenco nf express direction in that respect it is likely that tho articles would bo construed to give the right pro-rata, but wo can only form a propor view after considering the full Articles of Association.

Excise licence

A frlend and I bavo recently set np a small limited company (a close company) wbose principal business is to be the merchanting of wine, primarily hut not exclnsively to shareholders In the company (who number abont 40). Onr solicitor seems unsure as to whether the particular naturo of our business reqnires us to obtain any kind of licence. Could yo uplease advise me?

Assuming that you are not offering credit terms (which might bring you within tho Consumer Credit Act 1974), tho only licenco you might requira is an excise licence (i.e. for sale by wholesale). You should enquire of the Commissioners for Customs and Excise.

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All Inquiries will be answered by post as soon as possible.

LOMBARD

The decimation of UK industry

BY ANATOLE KALETSKY

The decimation of Britain's manufacturing industry is now official Government policy. On Tuesday of last week the Chancellor explicitly stated his helief that a fall in manufacturing employment was an inevitable result of rising North Sea oil production. The relative decline of the manufacturing sector is not just a temporary consequence of a passing crisis, but part of a long-term and, by implication, desirable shift in the whole balance of the economy. The effects of this structural transformation are readily visible in the latest production statistics, which showed an eight per cent drop in manufacturing output in the twelve months up to the early summer—close enough to the strict meaning of "decimation" to justify this word as a description of what is happening.

It would, perhaps, be an exaggeration to infer from his speech that the Chancellor actually applauds the decimation of manufacturing production. He was, strictly speaking, referring to a shift in manufacturing employment, rather than output. In principle it would be possible for manufacturing employment to fall sharply even while output was rising, since great scope undoubtedly exists in British industry for productivity improvements.

New way

However, a new way of juggling with economic identities has been catching on recently in government circles. This new "theory" which may appeal to the intellectuals in the Cabinet because it confines itself to relationships that are true by definition, suggests that the Chancellor may, indeed, regard a decline in manufacturing production not as an evil—not even a necessary evil—but as a welcome sign that Britain is extracting the fullest possible benefit from its North Sea oilfields.

This theory has been put forward by John Kay and P. J. Forsyth in the latest issue of Fiscal Studies and was described in detail by Samuel Brittan in these pages. The central point is that, if oil production provides a genuine boost to Britain's living standards, the income from it will be spent not on buying more oil, but on other goods and services. Now, while it is possible to buy manufactured goods from other countries, most services are not internationally traded. Thus oil can be converted directly into manufactured goods and this occurs when the exchange rate rises. But the extra demand for non-traded services has to be met within Britain and this can be done only by transferring resources from the manufacturing to the service sector.

Unfortunately this comforting theory has two serious lacunae, which make it a dangerous basis for Government policy. As North Sea oil begins to run out, the same argument can be stood on its head to show that Britain will have to go through a process of reindustrialisation, involving a massive shift of resources back to the exporting, manufacturing sector, to compensate for shrinking oil exports. Admittedly, the authors produce a fascinating calculation which shows that, if half the oil revenues were invested at a real return of 3 per cent, Britain could continue to consume the equivalent of the other half of North Sea production into the indefinite future.

But only after there is evidence that investment is actually taking place at an adequate rate to spread the benefits of oil well into the future, will there be any room for complacency about the modest reduction in manufacturing output that consumption of the remaining revenues might bring with it. In fact, of course, the collapse of domestic investment and the large net inflows of foreign capital into Britain created by the present peculiar blend of fiscal and monetary policy, are both pushing in the opposite direction.

More fundamentally, the Kay and Forsyth argument, in common with some of the Government's other theoretical precepts, assumes away the most obvious feature of economic reality. Plenty of resources are available in Britain to allow for the long-term expansion of both the service and the manufacturing sectors simultaneously. As unemployment rises above 2m it will become increasingly extraordinary to suggest that further cuts in manufacturing employment are needed to release scarce resources for the non-service sector.

Plants for Mediterranean climes

GARDENS TODAY

BY ROBIN LANE FOX

PERHAPS IT is the recent hint of a proper summer behind the clouds, perhaps the European themes which have been stirring here recently. I have found myself thinking hard in the past week for myself and others on plants which would go best in Mediterranean gardens. It is worth passing on some of these ideas, even for determined Englanders.

If you have large flower pots, south walls or a cold house in which to winter some of the quick-growing plants I shall mention, you can add a Mediterranean crown to your solidly-based match of flowers and ground plan.

Here or on site, a garden of Mediterranean style has to begin with the theme of aromatic shrubs, the local "Maquis." Over the past three years, I have lost my best representatives of this, and I envy those of you with warm or London gardens. Rosemary, cistus and lavender are the base plants, rounded off by good convolvulus and some sensible myrtles. I set out with all these plants six years ago and only have the toughest of the more exotic cistus left, the one called *Cyprius* which has white blotched flowers at quite a height.

Against a hotter south wall or in a warm West Country or coastal garden, I would like to see my original choices back in the front line.

Mediterranean gardeners, to my eye, have a way of making this sort of planting rather boring. In France, especially, they allow it to tail off into a bed of the grey-leaved Cotton Lavender, or *Santolina*, which has to be clipped mercilessly every year. Its fuzz of grey leaves is then quite handsome, but they smell too pungent if you brush against them, and the flowers are not attractive. Their other types of lavender are often unadventurous and the rosemary is in predictable varieties.

There is a feeling to it all that the owner is simply filling space and enjoying the surrounding olives and oranges. A warm site, I feel, deserves better.

For a start, it deserves the excellent purple form of lavender called *Stoechas*. You can buy and grow this in warm corners of Britain, but too few people know it, none the less. Its flowers are topped by bracts or upright ears, as if on a stalk of corn. They give the effect of purple and black together. The whole plant grows quite low and is easy in any light soil, which is not at all damp or cold in winter. Quite a few southern nurseries sell it, and if you happen to have a warm home, I would move it in on your next visit. Put it on the top of a low dry wall and it will make a fine contrast of upright flower and rounded form.

If you are beyond the reaches of sharp frost, try adding some bushes of a lavender called *Pinnata*. The advantage of this one is its long and repeated season of flower. It is not for Britain, I fear, but its scented and toothed leaves are a good match for the lavender-mauve sweep of flowers throughout high summer. It is excellent in a holiday home.

I have sometimes felt like emigrating for the sake of the cistus. One summer I had some splendid forms, all of which vanished in the winter of 1978-1979. I have seldom seen them well used in warm gardens which could suit them. The low, shrubby *Lusitanicus decumbens* is the pick of the white and blotched forms and can be amassed charmingly on a dry bank besides steps or round a pool. It is about two feet high when in flower, and is pleasantly scented. The most spectacular show, however, comes in the hybrid-branch line called *Halimiocistus*, a shrub which you should hurry to buy even if you have a warm and chalky slope in south England. The *Wintonensis* variety is special, covering its low mounds of evergreen leaves with open flowers like saucers, yellow in the centre and ringed with maroon-brown outside on a pure white background.

It is a fine pair to lavender, grey leaved shrubs and a bush or two of upright rosemary. Hilliers of Winchester sells it, and I hope you will take the hint. I miss my plants of it which a wind blowing due north has removed from sight.

Something of the same effect of flowers like saucers can be enjoyed quite safely in the small forms of garden convolvulus. I promise that these are not weeds. I think that a Spanish one called *Cneorum* is the finest small silver-leaved shrub in the garden, though I wish that I knew how best to propagate it.

In most of England, it is not fully hardy, but young plants make a good show in their first year and can be wintered in a pot indoors. The grittier the ground, the more silver the leaves. In Italy, I have seen this lovely plant massed all down front banks beside the entrance to a house. The pink and white flowers are a natural match for the steely-silver leaves one of the best foot-high shrubs in nature. There are others undervalued by gardeners, as I felt the other year in Majorca, where pink convolvulus with elegantly pointed flowers runs wild under the olives.

These and other garden varieties can be kept company by the slate-blue flowers of the North African form called *Mauretanicus*, the aristocrat of the harmless bindweeds with its autumn show of satin flowers over wide flapped mats. None of these finer flowers is a menace.

Against this basic "Maquis" I would go for the scent from the heavy white trumpets of double-flowered *Daturas* and the early blossom of oranges and lemons. I would branch out, too, into the large Caribbean family of *Gestrumn*, night-scented shrubs whose pale yellow forms let their scent loose when you return from work in the West Indies in the evening. Their tubular flowers are so prolific that the shrub seems feathery under them like some refined form of lilac. They are not too tender and ought to be tried far more often in Mediterranean gardens.

Myrtles, of course, are the genus of any warm place and I think that the form called *Communis tarentina*, low-growing and white-flowered, would beat any other evergreen for a small Mediterranean hedge. The leaves are well scented and the plants will grow in sun or shade, down a slope or right on a cliff or the beach's edge. In England, I lost my two plants of these two in 1978 just as they had started to flower well.

The sweetest of all jasmines, the white polyanthus, could run up the walls behind it. This is the one which you can prune very hard and train in a pot indoors in England. Where frost permits, it is astonishingly free with its clusters of flowers outdoors, the mainstay of the best sort of Italian patio where it grows beside the vines on a simple trellis.

Almost every plant I mention has lingered for a while in my own inland garden. Down south, they would have run riot, beside the richest South African daisies, the *Gazanias* and other wild flowers from the Veldt which we all ought to study more seriously as a source of new ideas for our dry summer gardens in a Mediterranean setting. These favoured sites have their own problems, drought and wind, poor soil and sharp bouts of winter climate. But beside by own experience with these fine and beautiful tender plants, the problems seem small in this dullest of all English summers.

Posse looks a good investment

RACING

BY DOMINIC WIGAN

POSSE, in whom a half-share was bought for £1m by Souren Vanain while the horse was still a maiden, looks the logical answer to today's Sussex Stakes.

The beautifully bred Forli chestnut, who will take up duties as a stallion at Vanain's Derisley Wood stud in the spring, justified that investment with a fluent victory in the St. James's Palace Stakes just 24 hours after the successful bid.

Tracking the leaders until well into the straight, Posse found no trouble in overhauling first Dalsaan, and then that colt's stable companion, Final Straw. Although Final Straw does not quite get a mile on anything but a fast surface, nothing can be taken away from Posse's performance, for he could hardly have won in better style.

With Kris, last year's winner, having to miss today's race because of the lameness which has prevented him from racing since that unimpressive Newbury success, the Royal Ascot principals should have the finish to themselves.

Another subject of a substantial bloodstock transaction before a rewarding Ascot victory was Chummy's Special. The two-year-old, who is now racing in Mr. Jack Maxwell's colours rather than those of Mr. Chummy Gaventa, justified his new owner's hopes with a half-length success in the Norfolk Stakes.

Battling all the way to the line after overhauling Pontin Lad 1½ furlongs out, Chummy's Special held off a determined challenge from Tax Haven.

Although the colt, trained by Gavin Hunter, won strictly on merit, it is worth noting that his time compared extremely unfavourably with that clocked by Pushy in the Queen Mary Stakes.

On the face of things, it will come as a surprise if Chummy's Special can deal with More's Miracle, a stablemate of Tax Haven, in the Richmond Stakes. In his only race to date, Moores Miracle was eased by Lester Piggott inside the final furlong of the Ballymore Stakes at York, as he cruised home ahead of Chantry Bay.

GOODWOOD
2.00—To-Agori Mou**
2.30—Moores Miracle***
3.00—Athford
3.40—Posse*
4.15—Hanu
4.45—Merciless King

TV/Radio

BBC 1

†Indicates programme in black and white

6.40-7.55 am Open University (Ultra high frequency only). 9.15 Noah and Nelly in Skylark. 9.20 Jackanory. 9.35 Jigsaw. 10.00 Why Don't You? 10.25-12.45 pm Cricket: The Gillette Cup Quarter-finals. 1.15 News. 1.30 How Do You Do. 1.45 Cricket: Gillette Cup. 2.55 Olympic Grandstand.

5.40 News.
5.50 Olympic Grandstand (continued).
7.45 Taxi.
8.10 The British Greats (1) Peter Finch.
9.00 News.
9.25 Scruples.
10.55 Cash from Trash: Report into the profits which can be made by recycling refuse.
11.45 Weather/Regional News.

All Regions as BBC 1 except as follows:

BBC Cymru/Wales—7.45 pm Wales Today Bulletin. 7.50-8.10 Heddiw. 11.45 News and Weather for Wales.

Scotland—1.10-1.15 pm The Scottish News. 11.45 News and Weather for Scotland.

Northern Ireland—11.45 pm News and Weather for Northern Ireland.

BBC 2

6.40-7.55 am Open University.
10.20 Gharbar.
11.00 Play School.
1.45 Glorious Goodwood and Cricket (The Gillette Cup).
4.15 Animal Magic.
4.40 Cartoons.
4.50 John Craven's Newsround.
5.00 Rentaghost.
5.25 Fred Basset.
5.30 Cricket: Gillette Cup.
5.50 Nationwide (London and South East only).
6.15 Cricket: Gillette Cup.
7.30 Mid-evening News, including a news summary with sub-titles.
7.40 Dallas.
8.25 Movie Showcase: "Luther" starring Stacy Keach and Patrick Magee.
10.15 Cricket: Gillette Cup highlights.
10.45 Newsnight.
11.45 Open University.

BBC 2 Wales only—5.50-6.15 pm Wales Today.

BBC 2 Scotland only—5.50-6.15 pm Reporting Scotland.

BBC 2 Northern Ireland only—5.50-6.15 pm Scene Around Six.

BBC 2 England only—5.50-6.15 Look East (Norwich); Look North (Leeds, Newcastle); Points West (Bristol); Look North West (Manchester); South Today (Southampton); Midlands Today (Birmingham); Spotlight South West (Plymouth).

LONDON

9.30 am Paint Along With Nancy. 10.00 The Best of Families. 10.50 Mystery Island. 11.05 Animated Classics. 11.50 Between the Tides. 12.00 The Adventures of Rupert Bear. 12.10 pm Rainbow. 12.30 About Britain. 1.00 News plus FT Index. 1.20 Thames News. 1.30 Crown Court. 2.00 Live from Two. 3.00 Olympics '80.
5.50 News.
6.00 Olympics '80.
7.00 Thames News.
7.30 Coronation Street.
8.00 Sounding Brass.
9.00 Olympics '80.
10.00 News.
10.30 Best Sellers.
12.15 am Close: Personal choice with Michael Burrell.

All IBA Regions as London except at the following times:—

ANGLIA

10.50 am Call it Macaroni. 11.15 The Beachcombers. 11.40 Cartoon Time. 12.30 pm An Exceptional Child. 1.20 Anglia News. 7.00 About Anglia. 12.15 am The Big Question.

ATV

10.50 am The Stationary Ark. 11.10 The Mackenzie Affair. 12.30 pm Against the Wind. 1.20 ATV Newsdesk. 7.00 ATV Today including Police Five. 12.15 am Newsdesk.

BORDER

10.50 am The Jazz Series. 11.15 Clue Club. 11.35 The Count of Monte Cristo. 12.30 pm An Exceptional Child. 7.00 Lookaround Wednesday. 12.10 am Border News Summary.

CHANNEL

12.30 pm An Exceptional Child. 1.20 Channel Lunchtime News, What's On Where and Weather. 7.00 Channel Report. 10.28 Channel Late News. 12.15 am News and Weather in French followed by Epilogue.

GRAMPIAN

9.25 am First Thing. 10.50 The Jazz Series (George Chisholm/Carol Kidd/Elena Duran/George Penman Jazzmen). 11.15 Thunderbirds. 12.30 pm An Exceptional Child. 1.20 North News. 7.00 North News. 7.05 Wild, Wild World of Animals. 12.15 am North Headlines. 12.20 Reflections.

GRANADA

10.45 am The Nature of Things. 11.45 The Magic Ball. 12.30 pm An Exceptional Child. 1.20 Granada Reports. 7.00 Granada Reports.

HTV

10.50 am Sesame Street. 11.50 Popeye. 12.30 pm Against the Wind. 1.20 Report West Headlines. 7.00 Report West. 10.20 HTV News.

HTV CYMRU/WALES—As HTV West/HTV General Service except:—11.55 am-12.10 pm Flalabalam. 1.20 Penawdau Newyddion Y Dydd. 1.25-1.30 Report Wales Headlines. 7.00 Y Dydd. 7.15-7.30 Report Wales.

SCOTTISH

10.50 am Call it Macaroni. 11.10 Westside Medical. 12.30 pm An Exceptional Child. 1.20 News and Road and Weather. 7.00 Scotland Today News and High Summer Extra. 12.15 am Late Call.

SOUTHERN

10.50 am New Forest Show (live coverage from Brockenhurst). 12.30 pm An Exceptional Child. 1.20 Southern News. 7.00 Day by Day. 7.00 Scene Midweek (South East Area only). 10.35 First Edition. 11.20 S.W.A.T.

TYNE TEES

9.20 am The Good Word followed by North East News. 10.50 The Nature of Things. 11.50 Cartoon Time. 12.30 pm An Exceptional Child. 1.20 North East News and Where the Jobs Are. 7.00 Northern Life. 10.30 North East News. 12.15 am Time Flies in Filey.

ULSTER

10.50 am The Jazz Series. 11.15 Untamed World. 11.40 Cartoon Time. 1.20 pm Lunchtime. 2.58 Ulster News Headlines. 7.00 Ulster Television News. 7.15 Want a Job? 12.15 am Bedtime.

WESTWARD

10.50 am The Jazz Series (George Chisholm). 11.15 Kum Kum. 11.40 Larry the Lamb in Toytown. 12.27 pm Gus Honeybun's Birthdays. 12.30 An Exceptional Child. 1.20 Westward News Headlines. 7.00 Westward Diary. 10.51 Westward Late News. 12.15 am Faith For Life. 12.20 West Country Weather and Shipping Forecast.

YORKSHIRE

10.50 am The Count of Monte Cristo. 11.10 Call it Macaroni. 11.35 Our Little Town. 12.30 pm Out of Town. 1.20 Calendar News. 7.00 Calendar (Emley Moor and Belmont editions). 12.15 am Preview.

Radio Wavelengths

1	1053kHz/285m 1089kHz/275m	3	1215kHz/247m & 90-92.5vhf stereo	BBC Radio London: 1458kHz, 206m & 94.9vhf
2	693kHz/433m 909kHz/330m & 88-91vhf stereo	4	200kHz/1500m & 92-95vhf	Capital Radio: 1548kHz, 194m & 95.8vhf
				London Broadcasting: 1151kHz, 261m & 97.3vhf

RADIO 1

(S) Stereophonic Broadcast
‡ Medium Wave only

5.00 am As Radio 2. 7.00 Mike Read. 9.00 Simon Bates. 11.00 Paul Burnett with the Radio 1 Roadshow. 12.30 pm Newsbeat. 12.45 Peter Powell. 2.00 Andy Peebles. 4.31 Richard Skinner. 7.00 Radio 1 Mailbag. 8.00 Mark Nurrell. 9.50 Newsbeat. 10.00 John Peel (S). 12.00-5.00 am As Radio 2.

RADIO 2

5.00 am News Summary. 6.03 Steve Jones (S). 7.32 Terry Wogan (S). 10.03 Jimmy Young (S). 12.03 pm David Hamilton (S). 3.03 Olympics 80 with John Dunn, plus Cricket and Racing from Goodwood. 7.33 Much More Music (S). 8.02 Listen to the Band (S). 8.45 Alan Dell with Dance Band Days. 9.15 Only a Rose: Anna Ziegler and Webster Booth recall the past (S). 9.55 Sports Desk. 10.02 The Impressionists. 10.30 Hubert Gregg says Thanks for the Memory. 11.02 Olympic Sports Desk. 11.15 Peter Clayton with Round Midnight, including 12.00 News. 2.02-5.00 am You and the Night and the Music (S).

RADIO 3

†6.55 am Weather. 7.00 News. 7.05 Your Midweek Choice: Part 1 (S). 8.00 News. 8.05 Your Midweek Choice: Part 2 (S). 9.00 News. 9.05 This [illegible] 9.45 [illegible] Wind Music (S). 11.00 Choral and Orchestral Music by Beethoven (S) including 11.45-11.55 Interval Reading. 1.00 pm News. 1.05 Debussy and Poulenc: Piano recital (S). 1.45 Bath Festival 1980: Chamber music recital, Part 1 (S). 2.40 Interval Reading. 2.45 Bath Festival 1980: Part 2 (S). 3.15 Fifty Years of British Music (S). 4.15 Palestrina: Choral Music (S). 4.55 News. 5.00 Mainly for Pleasure (S) (‡ end mon only from 5.20). 7.00 Music Now. 7.30 Concert: Part 1 (S). 8.25 Six Continents. 8.45 Concert: Part 2 (S). 10.00 Scientifically Speaking. 10.50 Lawrence Travelling. 11.00 News. 11.05-11.15 Leon Goossens plays Cimarosa (S).

VHF ONLY—OPEN UNIVERSITY—6.20-7.00 am and 6.20-7.00 pm and for students in Radio Scotland and Radio Cymru areas only: 12.00-1.00 am.

RADIO 4

6.00 am News Briefing. 6.10 Farming Today. 6.25 Shipping Forecast. 6.30 Today, including 6.45 Prayer for the Day. 7.00, 8.00 Today's News. 7.30, 8.30 News Headlines. 7.45 Thought for the Day. 8.35 Yesterday in Parliament. 9.00 News. 9.05 Mid-week with Russell Harty. 10.00 News. 10.02 Gardeners' Question Time. 10.30 Daily Service (S). 10.45 Story Time. 11.00 News. 11.05 Ian Wallace (S). 12.00 News. 12.02 pm You and Yours. 12.27 You've got to be Joking (S). 12.55 Weather; programme news. 1.00 The World at One. [illegible] 1.55 Shipping Forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 Listen with Mother. 3.15 Afternoon Theatre. 4.00 Choral Evensong (S). 4.45 Short Story. 5.00 PM: News magazine. 5.50 Shipping Forecast. 5.55 Weather; programme news. 6.00 News. 6.30 The Year in Question. 7.00 News. 7.05 The Archers. 7.20 The Zeh-deun (Cairo's refuse collectors). 7.45 The Queen Mother (a radio biography in three parts). 8.30 A Sideways Look At . . . by Anthony Smith. 8.45 Analysis. 9.30 Kaleidoscope. 9.58 Weather. 10.00 The World Tonight. 10.30 Rumpole. 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News.

BBC Radio London

5.00 am As Radio 2. 6.30 Rush Hour. 10.03 The Robbie Vincent Telephone Programme. 1.03 pm London Live. 4.30 London News Desk. 5.35 Music on the Move. 7.03 Black Londoners. 8.00 Question Time from the House of Commons. 9.00-5.00 am Join Radio 2.

London Broadcasting

5.00 am AM with Bob Holness and Douglas Cameron. 10.00 Brian Hayes presented by Vivian White. 12.00 LBC Reports. 8.00 pm Jazz After Eight—Keith Nowell with European Jazz. 9.00 Mike Dickin—Nightline. 12.00 LBC Reports Midnight. 1.00 am Night Extra—Tara Jeffones. 4.00 Network. 5.00 Morning Music.

Capital Radio

6.00 am Mike Smith's Breakfast Show (S). 9.00 Michael Aspel (S). 12.00 Graham Dene (S). 1.00 pm London Today First Report (S). 1.10 Graham Dene (continued). 3.00 John Sachs (S). 7.00 London Today (S). 7.30 Adrian Love's Open Line (S). 9.00 Nicky Horne (S). 11.00 Tony M[illegible] Late Show (S). 2.00 am [illegible] Night Flight (S).

F.T. CROSSWORD PUZZLE No. 4,335

ACROSS
1 Ask for a single? Get away! (6)
4 Clergyman and fellow have rested (8)
10 Magnificent hang from bridge (5, 4)
11 Bluster in confused riots (5)
12 Doctor on a satellite (4)
13 Continuing to flirt (8-2)
15 Extend a prison sentence (7)
16 Pass our shade (6)
19 Dexterous according to right in France (6)
21 Nude sat awkwardly and was not fully satisfied (7)
23 Everybody with ego stand up and narrate symbolically! (10)
25 Examination of the mouth (4)
27 Odd-numbered page in a hook. Right? (5)
28 Eccentric chap dismissed as a social misfit (3-3-3)
29 A cover in metropolis providing warmth (8)
30 Annoy Pole in call for trumps (6)

DOWN
1 More widespread fog we hear, from criminal member of two unions (8)
2 Enchanted by note on French cupid to editor (9)
3 Knot done complicatedly (4)
5 Put me in mixed choir in the epic manner (7)
6 Constituent turning up first-class rota for one who is hissed (10)
7 Copying silver-plated fastener? (5)
8 Head worker is drooping (6)
9 Left in the Strand to whiten? (6)
14 Fortress needed by a wrestler (10)
17 Speak in the highest degree and in the extreme (9)
18 Great admirer I cheat subsequently (8)
20 Expel an assembly (4-3)
21 Mounted team is the top (6)
22 Material for building a framework (6)
24 Look at state public-house (5)
26 Beware! It's a grotto (4)

Solution to Puzzle No. 4,334

هكذا من الأصل

Television

American hash and Russian salad

by CHRIS DUNKLEY

What an extraordinary menu television is offering: both main channels spend every afternoon and evening feeding us identical material from Russian cameras at the Olympics and then, at night, they compete to see who can serve up the least offensive collection of left-overs from America's cold store of "mini-blockbusters." The result is a bizarre diet of corned-beef hash and bubble-and-squeak *a la Russe*.

Of course the television event of the week—one of the biggest of the year—was both exciting and immensely satisfying, especially for those of us athletics fans who had said all along that even if Coe was the faster runner Ovett was surely the better competitor.

The continual annoyance caused by the crass ineptitude of the Soviet cameraman who cannot even pull focus efficiently (hence the perpetual in-blur-out-of-blur-whoops-steady effects before the picture clears) was raised to a screeching pinnacle of frustration in this rough and ruthless race since Comrade Boris managed to frame the most critical stages in such a way that Coe was entirely excluded from the picture.

The technical incompetence of the Russians was almost matched by the ITV commentator. He stated that Coe was lying second when he was actually next to last. Then, when Ovett made that tremendous and highly questionable attempt to handle his way forwards he claimed excitedly: "The East German Wagenkoecht now pushing through!"

Commentaries such as that made the work of Coleman, Pickering and the rest of the BBC team sound like models of experienced dependability—which indeed they are, mostly. One BBC man did coin the ludicrous phrase "Enormous cadence!" presumably meaning wonderful rhythm. Another told us gravely that the twin brothers in the East German double sculls were both 29. But usually the hours of unscripted comment, explanation and descriptions have been admirable.

Because the pictures—except for very occasional inserts such as the BBC's wonderful head-on shots of Heather Hunte sprinting—are virtually identical on the two channels, even when stored and transmitted in different orders, the commentaries count still more than usual when British television duplicates sports coverage, and the BBC's superiority is obvious.

That, added to the natural tendency of any viewer to switch to the BBC as soon as ITV coverage stops for a commercial, will doubtless ensure, again, that the BBC will get the lion's share of the audience.

In the general atmosphere of the Games as conveyed by television—and like it or not they have become, like so much else, a television event above all—there is something of Goya at his darkest and most pessimistic. Ironically, coming from the headquarters of world Communism the commonest screen caption is "Swiss Timing" which rarely seems to be out of the picture; an inspired bit of capitalist promotion.

But much of the time one feels that other captions would be more suitable: "Here be giants" for instance over pictures of the swimming pool and those flat-chested six-foot medal-machines that East Germany enters for the women's races; or "Region of the Dwarfs" over shots of the gym and those tiny little mites from the Soviet empire who perform with the charm of Shirley Temple in long-shot, only revealing their true nature when the camera zooms into close-up. Then you see a worried woman peering out from the eyes in a little girl's face.

The contrast between these sinister child-women and Britain's charming 16-year-old Linsey Macdonald who, to her own astonishment and delight, came fourth in her 400-metre heat, beating even the legendary Irena Szewinska to win a place in the final, was eye-opening.

One sympathised fully with the BBC interviewer (Tony Gubba?) who spoke to her afterwards, clearly entranced by her youth and femininity, and obviously feeling an instinctive urge to give her a hug or ruffle her hair and substituting instead: "Here, have a BBC badge!"

If this daytime contest between the BBC and ITV brings to mind a couple of duellists banging away at one another with identical second-rate pistols borrowed from an unsympathetic third party, the evening's events suggest a pair of virtually immobile sumo wrestlers spending lazy summer nights casually lobbing great wads of damp American kapok at each other. They are at least selecting their night-time ammunition from separate piles, but even so it is difficult to decide which is the less lacklustre.

I think the answer, by a tiny margin, is ITV's "Best Sellers," an artificial umbrella title under which have been clustered such oddly assorted items as a Western about a family named *The Sacketts*, a dramatised biography of mass-suicide leader Jim Jones and his People's Temple called *Guyana Tragedy* and a thriller with a title so cumbersome — *The French Atlantic Affair*—that there must surely have been an ulterior reason. These programmes had one thing in common: they were all much too long.

Presumably because of lack of confidence in their products ITV have a shameful habit of concealing from the viewer the number of parts in which they are made. Whereas the BBC habitually announces boldly in Radio Times "fifth of a 12-part series" (or whatever), TV Times usually keeps mum. For *Guyana Tragedy* there was one buried line of type announcing "this drama is concluded next Wednesday."

Anyone who, like me, missed that line and reached the end of Wednesday's 1¾-hour stint to learn that we were still only half way through no doubt felt as determined as I did to forego the rest. *The Sacketts*, for all its authentic leather chaps and ponchos, and the dialogue that we've been missing for so long. ("Tie Rail, this 'ere's ma ramrod, Tom Sunday, does thuh hirin' 'n thuh firin' ") was the most event-free cowboy film I can remember—though to be fair it *was* full of cows.

French Atlantic Affair was the best of the bunch, having the semblance of a real plot, however old-hat hijack movies have become. But like all the "Best Sellers" and like the Garbo and Marilyn Monroe episodes of "Moviola" it suffered from the very clear fact that in America now the money-men are even more firmly in control of programme-production than they have been traditionally—if that is possible.

The programmes all look very lush; no expense is spared on locations or extras or props, from vintage cars to ocean-liners; and the acting is invariably more than adequate to the available material. The trouble is that the material lacks inspiration and talent in the writing and the direction; visible production values have become paramount.

Among the odd programmes during the week which were not a part of this summertime soup of sport and American left-overs the best by far was Alan Benson's "South Bank Show" special about the making of *Sweeney Todd*. With its smoothly edited combination of plot description from Christopher Bond, musical analysis from Stephen Sondheim, explanation of Hal Prince's direction methods during rehearsal, and excerpts from the finished article, it inevitably brought to mind that other similarly constructed South Bank special on *Macmillan's Mayerling*.

This time, however, the television artefact was a far better example of work in its own medium than was the subject material in the theatre. I am indebted to London Weekend Television for treating me to the stage show in their telerecording because, had I not seen the show first, their programme would undoubtedly have sent me hotfoot to the theatre — where I would have been sadly disillusioned.

Sondheim actually performed some of the numbers at the piano for television rather better than the cast did on stage with a full orchestra. Furthermore, the small movable stage ("truck") on which all the main action is mounted is much better-suited to television than to the empty acreage of the Drury Lane stage.

Most telling of all, the television programme was able to use the good numbers (including the lyrical "Joanna," the only song measuring up to the "West Side Story" score and remarkably like "Maria") and ignore the bad. With the added interest of seeing the inner workings of a big musical — watching one of Prince's bits of direction progress from rehearsal room to public performance — the programme was very much better value than the show itself.

Sheila Hancock, Denis Quilley and Hal Prince

Nottingham Playhouse

Black Chiffon

Marking time before its new artistic director, Richard Digby Day, picks up the reins in September, the Nottingham Playhouse plays host this week to a touring production of the 1949 drawing-room drama by Lesley Storm that was a big hit for Flora Robson. Depending on your point of view, the piece is either well-made or hopelessly old-fashioned.

Sylvia Syms plays Alicia Christie, a mother who rebels against her son's impending marriage by stealing a black chiffon night-dress after being told by him that he will not return with his bride to the Chelsea nest after the ceremony. A psychiatrist is called in to stiffen, her defence but, after facing the truth of his oedipal diagnosis, she pleads guilty and — horror of horrors! — is sent to Holloway for three months.

There is a certain light precision in Lesley Storm's writing that is totally incapable of sustaining the evening. Things are not helped by the family calling each other "darling" every two minutes, or Miss Syms intoning preciously such flippant commands to the inevitably unfunny old bag of a servant as "use the lace place mats, Nannie!"

This is really theatre in aspic, a sort of cosy, unruffled refrain for the benefit of those who would prefer to ignore the march of time and the purpose for which regional houses such as this one are funded. One's anguish is slightly mollified by the presence in the cast of Ernest Clark and Jack Watling, two middle-weight smoothies who, as the husband and doctor respectively, saunter reassuringly about the stage being avuncular and lighting cigarettes. Mr. Clark even contrives to look exhausted on his very first entrance, before shaking off his studied lethargy to grip Miss Syms by the arm and acknowledge that their son has, in a manner of speaking, inserted himself between them.

On a handsome set by Charles Bishop, Patrick Lau's production is admirably composed and frightfully dull, a very model of discretion and bland good taste.

MICHAEL COVENEY

Kenneth Tynan

Critic and author Kenneth Tynan has died aged 53 in California, where he lived for much of the time in recent years because of his failing health.

He died at St. John's Hospital, Santa Monica, after a long illness. He had pulmonary emphysema.

Kenneth Tynan was arguably the best critic of his time, and certainly the most influential, in spite of the streak of frivolity that led him into such ventures as *Oh, Calcutta!* He led criticism into the second half of the century much as John Osborne led playwrighting. No sacred cows were sacred to him, and he pulled them down in writing that was as splendidly readable as it was perceptive. Not that the overthrow of outdated standards was his chief object so much as the installation of fresh. He had learnt his work from the inside, as director, producer and actor; and if he never made any great impression in any of those activities, at least they enabled him the better to evaluate what he saw when he turned to his predestined field of criticism.

Even in such unlikely territory as the Daily Sketch, Tynan was able in a couple of hundred words to give sharp and meaningful accounts of what he saw, with such enchanting phrases as, for instance, this account of Wolfit's Lear: "Mr. Wolfit scorns the trick of flicking speeches exquisitely to leg; he prefers to bash them towards mid-off and run like a stag." Later, of course, in The Observer and The New Yorker, where more space was available, he was able to spread his wings more widely. In the introduction to his collection *Tynan on Theatre*, he wrote: "A critic's traffic is with those who may want to know, a few decades hence, exactly what it was like to be in a particular theatre on a particular night"; and this is precisely the legacy he has left us.

His non-theatrical writing, whether on bull-fighting or on less boring subjects, has the same evocative brilliance. His non-critical work, particularly his 10 years as Literary Manager and Literary Adviser to the National Theatre, is of everlasting value.

B.A.Y.

Spoleto—2

Twombly, Pound, Garbo

by WILLIAM WEAVER

When you come out of Spoleto railway station, the first thing you see is a large Alexander Calder stabile (if you are lucky, you will then see a taxi parked in its shadow). The massive metal work is a survivor from the 1962 festival, when a show called *Sculpture in the city* brought to Spoleto works by Henry Moore, Marini, Manzù, Calder, and a number of others. The current festival has again invited various artists to the town, but this time instead of bringing works with them, they have created works in — or, you might say, on — Spoleto.

This is a city of steps, and one artist has carefully painted the risers of many flights of steps, including the monumental sweep from Piazza del Duomo to Via Saffi, in a row of vertical pink-and-white candy stripes. Similarly, the lovely Romanesque facade of San Pietro, on the outskirts, is now decorated with a gigantic enlargement of a photograph of that same facade. Eighteen years ago, the arrival of the sculptures in Spoleto provoked some expectable humour (and a great deal of excitement); the desecration of the city this year has aroused mostly indignation.

Otherwise, the non-musical contributions to the 23rd Festival of Two Worlds have ranged from the enjoyable to the distinguished. In Palazzo Ancaiani there is a retrospective show of drawings by Cy Twombly (also responsible for this year's poster), and on the top floor the provincial and regional authorities have assembled a display of Deruta majolica pieces dating from the 14th to the 17th century.

Other shows are scattered around the town, and in the cloister of San Nicolo the painter Judith Lange has hung a series of harrowing drawings inspired by the production of *Oedipus Rex*, being performed in another part of the vast, de-consecrated structure.

Actually, the work is *Edipo tiranno*, because it is given in the Italian translation, specially made, by Edoardo Sanguineti. The Italian text already characterises the attitude of the production, directed by the Brechtian expert, Benno Besson. Sanguineti deliberately eschews the traditional high-flown language of Sophocles translations, to use a humbler vocabulary (and significantly Oedipus himself is called — in translation — Piedone, or big-foot).

For the title-role Besson chose Vittorio Franceschi, squat, anti-heroic, with a somewhat nasal, limited voice. This is not a noble tragedy, but more an archaic ritual. Though Franceschi's limitations (and his occasionally "actor-y" gestures) are a drawback, this *Oedipus* is still visually gripping.

At the Teatro delle sei, a dank crypt under the Teatro Caio Melliso, Giancarlo Sepe — a leader of the avant garde theatre in Italy — presents a work entitled *Iliade*, but it has little to do with Homer. Mostly it has to do with Sepe himself, with his reflections on childhood, on the discovery of the past.

While a recorded voice reads a cryptic text (inspired, one was told, by Schliemann), a group of five actors and three actresses, all dressed identically in grey trousers, white shirts, plain ties, looking like so many Junior Managers, complete with attaché cases, go through a mime of innocence and experience. Towards the end one of the actresses dresses up like Mother.

As always with Sepe's work, the team is splendidly disciplined, the set is imaginative, and the taped music is too loud. But in the past — especially with the oppressive Accademia Ackermann — Sepe managed to forge a coherent work; here he presents only a series of images, inventions, not always of equal impact and, finally, inconclusive and self-indulgent.

For the translator and producer Melo Freni, Ezra Pound, "the greatest poet of our century," is a modern Odysseus, and his Spoleto production *Ezra Pound Concert* (Cantos a Teatro) relies heavily on the pseudo-Homeric passages of the *Cantos*, though the dotty and boring sections about usury are, alas, not overlooked. Three people — the charming actresses Maria Teresa Sonni and Simona Caucia, and the sober Riccardo Cucciolla—read in turn. There are bits of solemn music and, at the end, some film footage of Pound in Venice and of the poet's Venetian funeral.

It is all skilfully, if somewhat over-piously done.

In addition to operas and plays and poetry, there were a number of ballet programmes (usually with companies already familiar in other countries), various concerts and recitals, and a series of film showings, including a group under the heading "Garbo talks." In these revivals of *Anna Karenina*, *Mata Hari*, *Queen Christina*, and *Conquest*, the actress was, in fact, speaking English for the first time in Italy, where until now she had been heard only in the quite different and hilariously imitable voice of the dubber Tina Lattanzi. She sounded as wonderful as ever.

St. Martin in the Fields

Academy Strings

by RONALD CRICHTON

Some of the present series of coming-of-age concerts by the Academy of St. Martin in the Fields in their native church are for strings only. Monday's programme, directed by Iona Brown, was played to a packed audience mainly, so far as one could judge, consisting of visitors to the capital. For last-minute ticket sales a central situation undoubtedly helps.

All the music (Handel, Mendelssohn, Bach and Chaikovsky) sounded splendid though the 19th century works were the more satisfying—Mendelssohn's precocious B minor Symphony (No. 10) has one foot in either century but the homage to Gluck it contains is brushed with Romanticism.

The special success of the evening was the string-orchestra version of Chaikovsky's op. 70, the Sextet subtitled *Souvenir de Florence*. This was a holiday work, drafted in Italy after the labours of *The Sleeping Beauty* and *The Queen of Spades*, a kind of musical sketch-book with Russian (some intricately-rhythmed dances in which one can almost see the footwork) as well as Italian scenes.

There are also ideas of experimental rather than picturesque interest, like the curious, brief middle section of the slow movement, otherwise a love duet for violin and cello with mandoline-type pizzicatos for the middle voices.

Elsewhere Chaikovsky weaves these middle voices into a texture worthy of Brahms in the same medium—when will the Academy help to win the Brahm's Sextets the public they deserve? All this, the contrapuntal writing and the tunes handed round not on a mere plate but on huge maiolica dishes, sounded richly invigorating in St. Martin's.

But I found it harder to enjoy these expert players' Baroque performances. English-hearty in the old way though admittedly with much greater precision, polish and briskness than that way used to produce. Briskness above all, and briskness as a predominant quality leaves one hungry. Does one begin little by little, to hanker after authenticity?

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Otakar Kraus

Otakar Kraus, the distinguished baritone, died in London on Monday afternoon. He was born in Prague in 1909 and came to England 30 years later.

Kraus was a singer-actor of remarkable gifts who left his mark on British operatic life in more than one valuable way. Roles he created include Tarquinius in *The Rape of Lucretia*, Nick Shadow in *The Rake's Progress* (in Venice) Diomede in *Troilus and Cressida*, and King Fisher in *The Midsummer Marriage*. He sang Alberich at Bayreuth.

He was a notable teacher, whose pupils include Elizabeth Connell, Stafford Dean and [illegible]

R. C.

FINANCIAL TIMES

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Wednesday July 30 1980

The right way to intervene

MOST INDUSTRIALISTS, even those struggling to keep their business alive in an extremely unfavourable economic climate, support the Government's general objectives, especially the over-riding determination to bring inflation down. What has upset them is the apparent indifference on the part of Ministers to the practical problems which industry is facing and the simplistic solutions which are sometimes suggested for overcoming them. Urging manufacturers to move "up-market" may be appropriate in certain cases, but there is a limit to the speed with which industry can adjust. It is equally misleading to blame all factory closures on high wage demands or restrictive labour practices or both. What industry wants is not a U-turn, but some tangible evidence of sympathy and support in coping with the changes that are made necessary by the combined effects of the Government's policies and the economic recession.

Public money

The Prime Minister's speech in the House of Commons yesterday went some way towards filling this gap. Mrs. Thatcher, while in no way budging from her established principles on the money supply, public spending and the exchange rate, put welcome emphasis on the Government's duty to facilitate change and alleviate its effects.

It was surprising that she should choose to illustrate this concern by announcing a £6m grant to Dunlop for the modernisation and rationalisation of its tyre factories in Birmingham and the North East. Not only is this aid being made available under the 1972 Industry Act—a measure which marked the Heath Government's return to industrial intervention—but the tyre industry, suffering from severe world over-capacity, is not one of the growth sectors which usually figure in Ministerial speeches. While the grant marks no change in policy, the Prime Minister's decision to mention it is presumably designed to show the Government's willingness to use public money to help companies make themselves more competitive.

South Wales

At the other end of the technological spectrum, the Prime Minister used the occasion of the no-confidence debate to announce the long-awaited decision on Inmos. The NEB-backed micro-electronics company is to receive the second tranche of £25m on the basis that the production plant will be situated in South Wales rather than in Bristol as the company had preferred. It was apparently the argument over location, not the possibility of private sector involvement, which had delayed the decision for so long. There are continuing doubts, as we have argued before, about the wisdom of committing taxpayers' funds to as speculative a venture as Inmos; the Government should continue to seek private sector participation. But whatever the rights and wrongs of the project, Ministers are right to be concerned about the high level of unemployment in South Wales and to use their best efforts to direct new jobs to the area.

It is in South Wales that many of the job losses arising from the contraction of British Steel Corporation are occurring. While the job losses will continue, there are signs that the Government is taking a more flexible and more pragmatic view about the future of the steel industry. Ministers are now waiting for recommendations from the new chairman of BSC, Mr. Ian MacGregor, but there is no doubt that further support from the taxpayer will be necessary, probably for several years, if the UK is to retain a substantial and competitive basic steel-making capacity. The Government cannot avoid taking a view about these matters: it cannot avoid intervening to help industry adjust to change.

Market forces

It is unfortunate that in distinguishing their policies from those of the Labour Government Ministers have created a situation in which every piece of micro-economic intervention is seized on by supporters and critics as a possible U-turn. The fact is, as Mrs. Thatcher implied yesterday, that Governments can and should intervene in a variety of ways to tackle specific weaknesses which market forces on their own cannot be relied upon to remove, whether it is youth unemployment, regional decline or structural problems in basic industries. The difficult task, especially at a time of rising unemployment, is to distinguish between easing the process of change and slowing it down or preventing it: the pressures on the Government to do the latter are certain to grow over the next few months.

Muddling on in Italy

THE ITALIAN cliff-hanger goes on. Sig. Francesco Cossiga, the Prime Minister, has easily defeated a Communist attempt to impeach him in the Parliament. But it would be idle to pretend that the country's political and economic problems are closer to solution. All that can be said is that the vote, taken on Sunday, has given Sig. Cossiga's coalition the opportunity to try to wrap up the economic package designed to curtail consumption and to stimulate investment.

The most radical proposal in that package was to have been a modification of the so-called *scala mobile* which amounts to indexing wages. Union leaderships had already agreed to it when the Communists saved the *scala mobile* with demonstrations of shop-floor strength. As an indirect result another key proposal was also dropped. It was for a 0.5 per cent levy on workers' wages to be paid into a fund to help the chronically poor south and ailing industrial enterprises.

Tax evasion

Yet it would be wrong to conclude that nothing is left of the Government proposals. Higher petrol taxes and a tighter administration of value added tax remain. More important, perhaps, there are signs that the Government is in earnest about fighting tax evasion. For this year, Sig. Filippo Maria Pandolfi, the Treasury Minister, expects to increase revenue by L2,500bn (about £1.2bn) by this means. He can count on Communist support for his objective. What Italians at large will think about it, and especially that great number who are active in the flourishing Black Economy, is quite another question.

The need for strong economic measures is evident in a country which has swung from a £2.1bn current account surplus in 1979 to a probable deficit of equal size this year, and where inflation is rampant. Until recently the economy bore all the signs of overheating, though a slowdown, presenting problems of its own, is in prospect for the autumn and may already have begun. Given the international climate and previous experience only an optimist would expect that slowdown to end inflation.

Success will require above all staying power, and few qualities are harder to display in the welter of conflicting interests, of factions and sub-factions which make up Italian public life. Not without malice an Italian journalist has likened Sig. Cossiga's task to that of a sprinter entered for a long distance race.

What Sig. Cossiga's victory on the impeachment issue has shown is that for the moment the coalition partners, by and large, intend to hang together: there were relatively few desertions from the government camp of Christian Democrats, Socialists, and Republicans. But the Communists remain determined to bring down that coalition. Their strength in Parliament is insufficient, though they are the second largest party. But as the successful agitation in support of the *scala mobile* has shown, they have other means of influencing events.

That is not to say that Sig. Enrico Berlinguer, the Communist leader, is retreating from the policy which once made him a main exponent of Euro-Communism. His party is not revolutionary in the usual sense of that word: it stoutly supports the concept of law and order in a terrorist-ridden country.

Sig. Berlinguer is conducting a political battle for power and his main target is the Socialist Party which has been tacking to the right under its leader, Sig. Bettino Craxi. But a strong Socialist minority would prefer an arrangement with the Communists, and even some Christian Democrats believe that it is useless to try to govern against Sig. Berlinguer.

Sig. Craxi's line paid off when the Socialists made a good showing in the regional elections this spring. But if the autumn brings mass dismissals in industry, things might look different. The indications, then, are that Italy will have to go on muddling through—an art which it has brought to high perfection.

Jimmy Carter's rudderless policy on Iran

BY ANDREW WHITLEY IN WASHINGTON

ACCORDING TO a story going the rounds among disaffected Carter administration officials it was a defector from the Soviet KGB who not so long ago put his finger with discomforting accuracy on the nub of the issue. "Why did you let Iran drift out of your grasp?" He is reported to have asked, "after all, it was in your sphere of influence. All we did in Afghanistan was to reassert control over ours."

The KGB man may indeed never have existed, but the brutal frankness of the tale appeals to those who feel that almost everything that has happened in Iran in the past two years, since the anti-Shah movement began to gather speed and strength, is due ultimately to President Jimmy Carter' lack of decisiveness.

The voices of discontent are muffled. It does not do to express such anti-patriotic sentiments in public when there are still 52 Americans held hostage in Iran by "a bunch of Islamic nut-cases," as they are widely perceived. One of the more extreme frustrations being bottled up as a result of the Iran crisis is caused by the unspoken ban in force on the kind of full-blooded examination of the entrails of government policy to which Americans have grown accustomed.

President Carter is unlikely to lose the November election just because of, or largely because of, Iran. The lack of confidence in his leadership and his economic policies goes far deeper than that. Thus, his strategists are said to believe that the best course of action is to spin this most knotty and baffling issue out until after the election: by moving slowly and cautiously not taking any significant new initiatives and, meanwhile, reassuring the Iranians that the U.S. means them no harm.

His aides are well aware that that cosy scenario could easily be knocked off course by any of a range of possible developments within Iran, from the trial and sentencing of a number of the hostages as spies, to the sudden death of the country's 80-year-old leader and revolutionary mentor, Ayatollah Khomeini.

Nevertheless, the aides are reasonably confident about their ability to keep Iran out of the public limelight in the run-up to the polling date, though there will undoubtedly be enormous temptation for someone in the Reagan or Anderson camp to point to the fact that November 4 will mark the exact first anniversary of the capture of the U.S. embassy in Tehran.

To date Mr. Ronald Reagan, the Republican candidate, has trodden carefully in the minefield of emotion represented by the issue. In his acceptance speech to the Republican convention earlier this month only the briefest mention was made of the hostages' continued detention. It was a subtle reminder to the American people that all the President's efforts had failed—but it was not accompanied by any alternative proposals of his own.

Released hostage Richard Queen at Zurich airport on his way home to America

No pact has been reached by the contenders for office. It is not needed. The much repeated black joke: "What is flat and glows in the dark"—referring to Tehran the day after Mr. Reagan has been elected and gone for his nuclear gun—is way off the mark.

There is instead every chance that the Republican "hawks," once in office, will realise that the combined goals of resolving the hostage issue ("dead or alive"), reasserting American political and military resolve and preventing what remains a highly strategic part of the globe from falling into Soviet or pro-Soviet hands cannot be served by resorting to force or dodging the demands at the heart of the Iranians' case.

There is little evidence these have been seriously examined by the Carter Administration in the nine months the crisis has dragged on so far, a comment on its inability to come to terms with the *raison d'etre* of the Iranian revolution. The main stumbling block is summed up in the frequently heard and fiercely expressed refusal of officials to contemplate "apologising for our past support of the Shah."

Up to now nearly all the debate within the Administration on how to handle Iran has concentrated on tactics, not on matters of substance, according to one State Department official. Nor does any change of approach appear to be in the wind, possibly because of the way in which all the main participants—the CIA, the National Security Council, the Pentagon, and the State Department—are bound by the same refusal to rake over old coals until the hostages are out.

Debate has been on tactics, not matters of substance

It is recognised nevertheless that the death of the Shah removes some of the psychological barriers in the way of a more realistic appraisal of the possibilities open to the U.S. in dealing with the immediate goal of getting the hostages safely out of Iran. It also provides an opportunity to come to grips with the question of the Shah's fortune—the return of the "looted billions of dollars" which many of Iran's leaders have all along considered just as important as the handing back of the former monarch.

"Perhaps the best gesture we could make to Khomeini would be for Carter to announce that he was not running for re-election," one official said ruefully, aware that a central desire of the militants who took the hostages and have now become the political establishment in Iran is to bring down the American President, and that there is no chance of the President obliging voluntarily.

In public the present U.S. Government states that the resolution of the hostage crisis "as quickly, as peacefully and as stably as possible," is its overriding concern. The corollary is that Iran's geopolitical importance to the U.S. and the large question of Washington's attitude towards the Khomeini regime have been subordinated to the first consideration.

The reality is, inevitably, both more complex and less praiseworthy. It reflects the widespread feeling of helplessness to guide, or even monitor, events in Iran—the fundamental distaste felt here for the activities of the mullahs, the Moslem clerics—and the judgment that, for the moment at least, the hostage crisis has faded somewhat in the minds of the American public.

It is generally agreed that the abortive rescue attempt in April helped to disperse much of the public head of steam that had built up around President Carter towards Iran. The breathing space has been used to put the fate of the hostages on the back-burner, waiting on events in Iran.

The unexpected release this month of one hostage, Richard Queen, came as a pleasant surprise, throwing up far more questions than it answered (as well as underlining the opaqueness of the decision-making process in Iran to foreign, and specifically American, eyes. But as gratifying to the U.S. administration was the relatively low-key, measured response to his release from the American media and public.

In fact, far from distancing itself from the unwinding of the revolution in Iran as its public posture would suggest, the U.S. is taking a very close interest in the way the Islamic Republic appears to be coming to pieces. To what extent Washington is actively pursuing courses of action based on the premise that the ayatollahs will not last is a highly sensitive subject on which policy-makers will not be drawn. But the alternatives are certainly being considered, and it would seem that contingency plans are at least in the early stages of preparation.

Contacts have been established with the two main exile groups in opposition to Khomeini, those led by former premier Shahpour Bakhtiar and by one time chief martial law administrator under the Shah, General Gholam Oveissi. This does not mean that these groups have been recognised or that help has been extended directly to them. On the other hand they would be considered much more credible and therefore deserving more serious attention if, somehow, the two rivals were to join forces. That message has already been put across.

To the embarrassment of the administration one aspect of its less honourable intentions towards Iran which has become public is the clandestine radio station broadcasting general anti-Khomeini propaganda from Cairo. Tacitly confirming for the first time an American hand in its establishment some two months ago, a senior official commented, "They (the Iranian authorities) haven't come to us yet about it. If they do, we could do something about it."

One possible interpretation of the superficial contradiction between the patently destabilising purpose of the radio station and the calm, relaxed attitude otherwise being taken towards the hostage issue is that the U.S. is trying to add cards to what it sees as its otherwise weak hand when the chips are down. Its strongest card, the $7bn-worth of frozen Iranian Government assets in U.S. banks, is similarly an artificially created one.

There would be strong resistance from Congress to the playing of this last card until the penultimate stage of a carefully worked-out deal leading to the hostages' release. A premature move by the Administration would jeopardise the bipartisan agreement not to challenge publicly President Carter's handling of Iran.

The consensus would also be severely strained, and possibly broken, by the one development everyone in Washington fears: a trial in Tehran in which the American hostages would, willy nilly, be involved. That prospect came nearer following a statement on Monday that the Iranian Parliament could begin considering the issue next week.

An otherwise weak hand when the chips are down

Most U.S. officials recognise that a trial is the most likely outcome of the Iranian Parliament's deliberations given that the U.S. itself has few concessions to offer. Unhappily they also see that it will put the President very much on the spot, especially if such a trial were still going on or had just delivered an unfavourable verdict as the election date nears.

"Do not under-estimate the strength of Carter's moral stance on the issue" a top State Department man warned yesterday. The American President has repeatedly said that a trial would bring "severe consequences." If he is, in addition, trailing Ronald Reagan badly in the opinion polls the pressures on him to undertake what many would consider "something foolish" will be enormous.

In spite of the military adventure of last April, Jimmy Carter would much prefer a peaceful solution, and he would almost certainly wait for the outcome of any trial before taking a decision that the State Department, at least, would consider highly damaging for almost every other aspect of its foreign policy.

On present indications that decision would probably be the imposition of the naval blockade of Iran's Persian Gulf ports threatened earlier in the year. Few expect it to lead to the early release of the hostages.

It may well hasten the process of the internal disintegration of Iran, and the U.S. is already looking beyond to the post-Khomeini era. Not that it has any prepared strategy for the chaos everyone expects as competing groups attempt to grab power. The Administration's policy is a rudderless ship on an uncharted sea.

MEN AND MATTERS

The wrong goodbye?

Does Lord Keith have a double life? Or just a double? The question is prompted by a rather baffling disagreement which arose between outgoing Hill Samuel chairman and Hoare Govett elder statesman Lord Wardington at yesterday's annual meeting of the merchant bank.

As Lord Keith steered the meeting to a close, Lord Wardington rose to move a vote of thanks and slip in a plug for his firm. There was, he said, "no-one whose light shone more consistently and forcefully in the last 35 years." But he confessed puzzlement that, in the résumé of Lord Keith's career presented in the HS report and accounts by successor, Sir Robert Clark, "his short stay with my firm has been omitted."

A bemused smile edged across Lord Keith's face. "In the interests of accuracy," he said, "it was not me who was in Hoares. I have never been a stockbroker."

There must, I said to Lord Wardington after the meeting, be some mistake here. "No, no," he insisted, "he was in my office for three weeks on an attachment." Armed with this reassurance, I trotted back to Lord Keith. Lord Wardington, I said, stands by his story. "I have done many things," replied Lord Keith, "but I was never a stockbroker, and I never spent a day at Hoares."

Having quizzed both protagonists, I remain uncharacteristically stumped. Is there a Lord Keith impersonator? And if so, where is he now?

Bunny du Cann

"I am one of the rabbits," exclaimed Edward du Cann yesterday in his capacity as chairman of the all-party Treasury and Civil Service Committee of the Commons. Happily, du Cann was not auditioning for a part in the next Richard Adams book, nor seeking a job from Victor Lownes. He was merely responding to the forthright testimony of Yale University's Professor James Tobin, who described monetarist Britain as "an interesting laboratory experiment."

"It's the Guinness Book of Records again . . ."

Up the poll

Never a dull moment at the Milford Docks Company, where chairman Charles Smith has appointed Guinness Mahon banker Peter Jennings to the Board as dissident shareholders marshal their forces for tomorrow's poll on Board changes. The poll follows the annual general meeting earlier this month, at which a benchful of lawyers disputed the arcane legal precedents which should govern the procedure of the company—which was incorporated by Act of Parliament in 1874.

Smith wants directors David Blick and Lt.-Col. Thomas Wilkinson re-elected. The members of the boarding-party—Turkish businessman Faik Ezen, stockbroker John Knowles and Lloyd's underwriter James Thomson-Moore—seek to supplant them.

Blick, who is associated with the U.S. Greyhound Guaranty group, has been Smith's financial prop in developing plans for major refurbishment of the docks and associated property. The appointment of Jennings reflects the possibility that "if the poll goes against us, we would lose the advice we have been getting from Mr. Blick," the Milford chairman tells me. "So although we wouldn't put in an odds-and-sods director from just anybody, we do want advice to continue."

Smith is giving no hostages to fortune about tomorrow's poll, because he expects the dissidents to show their strength at the meeting rather than through advance proxy votes. Only seven months ago, Smith comfortably fended off a similar boarding party led by ex-Slater Walker businessman Richard Eldridge. This time, though, he says, "it could be a little close."

Together again

BNOC's chairman Philip Shelbourne yesterday went some way towards replacing the multifarious talents lost to his Board when financial managing director Alastair Morton marched out in a fury at the end of May. To take charge of finance and corporate planning he has tempted away 36-year-old Roy Dantzic, currently a director in the corporate finance department of Samuel Montagu, Shelbourne's former fief.

Curiously, Dantzic first came into contact with his new chairman in the early 1970s when he joined the Drayton investment group, later merged with Montagu, and when Morton was embroiled in one of his first clashes with Shelbourne, then at the head of Drayton.

But while Morton moved on to join Lord Kearton at BNOC, the young and less tempestuous Dantzic stayed behind, building his career and reputation. Although he has had no experience in an industrial company, he has already had a chance to study the workings of the state oil corporation and the Government mind through his involvement as an ideas man for the plans to float off public assets.

And he could be said to have won his operational spurs in 1978, when, he tells me, he was involved in the controversial deal through which the Post Office pension fund bought the Investment Trust Corporation from Barclays Bank. "That was unique," he adds cautiously. "I don't think anyone would dare do that again."

Here today . . .

Sceptics reckoning that the fairy-tale rescue of Irish glass-maker Tyrone Crystal by local boy made good John Graham was too good to be true have been proved right. Parent company the Tyrone Investment Corporation for Industrial Development has revealed that Graham has "failed to complete a contract for the purchase of the shares of Tyrone Crystal." Graham left Northern Ireland 29 years ago at the age of 15 to make his fortune in Australia. Returning to the province recently to visit his mother, he read of the financially-troubled Tyrone Glass, and out of the blue offered to save it and its 150 workers by wiping out its £1.2m debts and investing a further £450,000 to increase capacity.

With Graham unavailable for comment and apparently out of Northern Ireland, the faces around Tyrone are long and more than a little mystified, and legal advisers are being consulted.

Clean break

Complaining at Liverpool Street about the late arrival of his train, a colleague was informed: "We've been having a lot of failures with these engines lately. It's all the fault of the new washing plant at Clacton . . . it was only the dirt holding them together."

Observer

LIGHT AND SHADE IN SHADRINSK ● BY DAVID SATTER, MOSCOW CORRESPONDENT

هكذا من الأجل

View from Middle Russia

THE MORNING sunllgbt in Shadrinsk revealed an old Russian merchant town where leaning log housea, warped from centuries of rain and snow, lurched over dusty streets and five-storey housing blocks stood in the background with iron halconies and laundry hanging ont to dry.

It had taken 39 hours to reach the Ural mountains town of Shadrinsk, in the Trans-Sibarian Express and on the way, we passed timeless wooden villages where peasant women bent over dirt plots in the heat of the sun.

As we approached the outskirts of the town, trucks loaded with chopped wood waited at a crossing and tbe grassy Russian plain was hroken hy a pine grove which gave way to a scene of peaceful decrepitude where unused railway sidings were dotted with marigolda and grain elevators rusted in tbe sun.

We had been prompted to make tbe trip hy tbe massive Soviet propaganda campaign following tha invasion of Afghanistan. In Moscow, educated people are sceptical of tbeir Government but I thought this waa probably less true in the towns and villages flung out over thousands of miles of provinclal Russia, tha "deaf places" where most Soviet citizens live.

During the train journey to Shadrinsk, a factory town of 80,000 in the centre of tha USSR, which was picked at random, a colleague and I got some idea of wbat lay ahead. There were many soldiers on the train, *en route* to new postings, as well as a reasonabla crosa section of the travellers one would meet in any second-class compartmant on the busy Trans-Siherian Express.

Almost to a man, people we spoke to condemned the U.S.-led hoycott of the Moscow Olympics and said that tbey supported the Sovlet invasion of Afghanistan.

"We gave the Afghans help, just as the Amerlcans gave us help in the Second World War," said a retired schoolteacher from Kurgan. "They published the appeal for help in our newspapers." I asked him if be ever considered the possibllity that whal he read in the Soviet newspapers might not be true. "How could it not he trua?" he replied.

In Sbadrinsk, I unpacked my things at the Hotel Ural and walked through the shadeless central square, stopping to talk to some young girls who were aitting on a bench near the war memorial. Across the road at the Motherland Cinema a new film was playing called, "From Your Loved One, Don't Be Parted."

Soviet intervention an example of 'typieal Russian generosity'

In the next three days, I spoke to people in cafes, in the barren farmers' market, in the restaurant of our botel, and ln the lush, mosquito-ridden city gardens. The overwbelming impressinn I took away was that there was little realism ln the idea of President Jimmy Carter that an Olympic boycott would inform the Soviet people about Western anger over Afghanistan. In remota cities like Shadrinsk which are cut off from outside information, the conditions for informing people do not exist. Sovlet propaganda is the reality.

One night in the botel restaurant, we sat down at a table with some amateur musicians wbo worked at the Sbadrinsk Auto Parts factory, and hegan talking with them about world events. They said they were disgusted by the Olympic boycott and, ecboing the pbrase constantly repeated ln the Soviet newspapers, said it was wrong to mix politics with sport. "We all know about Afgbanistan," said Volodya, ooe of the men, "but I put a fence around tbis question. Sport is one thing, politics is something else."

At a table cluttered with empty vodka bottles and half-eaten meat and potato salad, Igor, another of the men, explained the Soviet intervention in Afghanlstan as an example of "typical Russian generosity."

The lack of access to uncontrolled informatinn about the world situatlon in Shadrinsk was complemenled by a shortage of decent books. The only bookshop was full of technical books and bound volumes of Lenin's works. There were only two counters where genuine literature was heing offered, a counter where the works of Chekbov were displayad as a prize in a lottery and an exchange desk where a few works of modero literature were being offered in return for specific otbar books listed in a file of index cards.

One oight at Shadrinsk's floodlit dancing ring in the city gardens we chatted witb a pretty 19-year-old shopgirl. My colleague asked ber if the fact that she wore Western jeans and liked Western music meant sbe didn't like the Soviet Union. "No," she said emphatically, "I lova the Soviet Union."

During our stay, we had several meetings with local officials but tbe result of the meetings was to giva the impression that political discussion is frowned on in Shadrinsk when it departs from the verhatim repetition of official propaganda. With political issues and anything that bears on them eliminated from the conversation, our talks with local officials were taken up with their odd recitals of meaningless facts.

In a 90-minute meeting with leaders of the Komsomol, the Young Communists' Organisatlon, we learned that Shadrinsk has four clnemas, 18 secoodary schools, six hospitals, 75 retail establishments, 4,000 private cars, 8,000 motorcycles and every year, no fewer than 800 weddings. This informalion was not apparently preparad in order to waste our time but simply defined the area of independent intellectual competence permitted to local officials.

The impression of faith in the picture of the ootside world given by Soviet propaganda and the Soviet Press would bave been all but total in Sbadrinsk, had it not heen for ona fleeting, discordant incident which took placa while I was out for a quiet stroll.

I turned off on a side street and came upoo the site of an old church whicb was surrounded by broken, weathered scaffolding except for the red belltower and the golden cupola and croas. In a yard beside the church, an old man was filling pails with sand and I asked bim if restoration work was continuing. He laugbed disinterestedly without looking at me and said, "the State has more important objectives than restoring churcbes."

The man continued his work, apparently unperturbed by being approacbed by a foreigner. "First they destroyed the churches now they're restoring them," he aaid. "I remember bow they destroyed this one. They blew holes in the walls and burned tbe icons. Then they took out all the silver and gold. They said they needed tbe metal for industry."

On our laat day in town, we walked through the city gardens where mothers were pushing baby strollers and old men played chess on large outdoor hoards. The intense sunlight filtering through the trees threw deep shadows on the sidewalks and the branehes and leaves formed thick canopies over the winding dirt paths. We mat a worker named Oleg from the telephone equipment factory and sat witb bim on a bench in an old unpainted gazeho.

He said that Shadrinsk was a patriotic city which had supported the 1968 invasion of Czechoslovakia out of affection for the Czechs and the 1956 invasion of Hungary out of a desire to help the Hungarians. "Tell Carter that the Russians don't want to fight," he said. "We know how to fight hut we don't want to fight."

Listening to Oleg, who was obvious in his interest in the outside world and his sineerity, it was easy to imagine the frightening potential of a dedicated army, with recruits drawn from places like Shadrinsk, marcbing into war full of confidence in the rightneas of tbeir cause but without the faintest actual idea what they were fighting for.

"I know we went into Afghanislao for purely humanitariao reasons, in order to help," he said. "We're Russians. If I had my lasl loaf of hread and you needed il, I'd cut it in half. I don't care who ynu are, whether yon're English, American, Vietnamese, Israeli, we're all people. We helped Cambodia, where bow many million people died. It made your hair stand on end. We helped Vietnam. We are ready to help any country."

'First they destroyed the churches, now they're restoring them'

I walked down some potholed side streets the following afternoon past a derelict church and emerged on the river bank to a scene of worldlessness aod peace. Under faathered clouds io a blue sky, Wizened old women walched from the steps of wooden houses as two policemen warned a young boy oot to cut the branch off a tree.

There seemed little reason for life in Shadrinak to be affected by events in a place as remote as Afgbanistan and in the local newspapers, whlch were on sale in kiosks on the maln streel, il was easy to see bow the conflict could have escaped people's notice. In lhe twice-weekly Shadrinsk Rabochy and Zauralskaya Pravda, the daily regional paper, most of the news concerned the grain harvest or truancy among workers ln the local factories.

lo the evenings, we could pick up the Russian language service of tbe BBC and the Voice of America from my botel room but nn an issue like Afghanistao, the information broadcast by the BBC directly contradicts the information conveyed by tbe central Soviet televisinn and Press. It may therefore indirectly reinforce official propaganda because to trust Western broadcasts, the resident of a provincial Russian city must make the unsettling assumplion that much of what he is told about Afgbanistan in the Soviat Press is a lle.

One afternoon we were joined at our table in a cafe near the central square by a muscular construction worker who spoke to us about the world situation and became increasingly vehement as the conversation proceeded.

"*The Americans are cunning* people," he said "In how many countries do they have their bases? How many bases surround tbe whole Soviet Union." The Russians were a peace-loving people. The Olympic boycott was an action against peace. He said that evaryone supported the policy in Afghanistan and be added that no one bad sent him over to talk to us, a possibility which crossed my mind while he was talking.

That night we met Oleg and a friend of his at the hotel restaurant, Oleg insisted on buying us several rounds of drinks and reminisciog about instances of East-West friendship, includiog the meeting of Allied and Russian forces on lhe Elhe. He recited a poem by Yevtusheoko, "Do the Russians want War." After delivering the full poem, he raised his voice to recite the last lines: "Russians don't want war, Russians don't want war, Russians don't want war."

Oleg's friend, Vitya, offered a few final thoughts at our table on the situation in Afghanistan. I had asked him whetber he was trouhled by Soviet Press claims that the Government of Afghanistao invited Soviet forces to help aod the head of lhat government, Hafizullah Amln was immediately killed.

"There could have been two governmeots, one popular aod the olher anti-popular," Vitya said reflectively. "We supported the popular governmant of Babrak Karmal. We don't bave all the information. We can't see the peaks of policy. We see what is known to us but we know enough to take a view."

Letters to the Editor

Vision of high living

From Mr. C. Jameaon

Sir,—What a marvellous vision of the future Samuel Brittan portrays: Once again Britain hecomes a nation of rentiers. Wbere before we lived off the Empire, now we shall live off our foreign lnvestments from monay earned from North Sea oil. Even high living will become, not a vice, but a virtue: it is only by spendiog beavily on the pleasures of life that we can create enough johs in the service sector to mop up the unemployment created by the de-industrialisation-ls-good-for-yon policy that Mr. Brittan commends.

Should Mr. Brittan (July 24) he taken seriously? It is lmpossible to say, at least not on the basis of the information so far presented. Tbere are two quletly assumed "ifs" in his reasoning that call his scenario into doubt.

The one is that de-industrialisation will proceed at no more tban the same pace as the pre-1976 period on which his estimates are hased: The assumption is questionable—the pace of de-industrialisation is now quickening and could quicken even faster if, as is not unlikely, the British motor car indnstry folds up under foreign pressure.

A second assumption ls even more dangerous still: that the service sector can expand quickly enough to make up for the lost jobs. How many restaurants and hairdressers does Mr. Brittan think that, say, a declining north-east can afford?

I am not saying that Mr. Brittan is wrong. No one should he *asked* to *disprove* someone else's belief in pink elephants. I am only saying that, on tbe evidence given, there is no case to answer; his assumptions are unproved.

Conrad Jameson,
Conrad Jameson Aasociates.
103, Old Brompton Road, SW7.

North Sea oil revenues

From Mr. D. Dale

Sir,—Some people apparently believe that Britain should deliberately run down its manufacturing industry because North Sea oil revenues are calculated hy some economists tn be enormous dnring the next 25 years; so great in fact that we can invest enough ahroad in that period to live off for ever. This is naivety to tha point of madness. We have had foreign investments "nationalised" hy various countries before and this would no doubt happen again. We should be placing our future in the hands of others—a practice we have indulged in to excess already.

The only safe hasis for our future capacity to hny necessary imports is a continuing, sound manufacturing industry—varying no doubt over time in its product range.

If we have a temporary embarrassing inflow of wealth from oil, we should run a surplus on our halance of payments, pay off foreign dehts, invest first and foremost in schemes of land reclamation, "clean" energy ganeration and measures to ensure that we have a sound lnfrastructure and a healthy and efficient manufacturing industry when the oil runs out. If necessary we should slow down the rate of oil extraction to spread the "benefits" over a longer period.

To claim as the Chancellor does, that the present high value of the pound is fixed by some all-wise world market and is outside his lnfluence is quite misleading and he knows it. Tbe Tories, whom I supported over many years, appear to have lost their senses. Their last Government indulged ln a disastrous "dash for growth" and now we have a dash for death.

D. H. Dale,
Birch Crest,
Hilderstone Road,
Meir Heath, Stoke-on-Trent.

Unemployment remedies

From the Director, Youthaid

Sir,—Samuel Brittan's revlew of "Unemployment: causes and remedies" (July 24) was misleading in a number of important respects, but bis conclusion was ill-informed, destructive and dangerous. He fully accepted that temporary programmes were necessary to minimise the effects of bigh unemployment but argued that it is extremely doubtful whether they are best managed by the Manpower Services Commission because it bas to pay heed to the Confederation of British Industry and TUC.

It is elear from bis misdescription of the various schemes run by the MSC that he has insufficient information to assesa tbeir effectiveness. Those of us who know a good deal about special measurea for the unemployed are convinced that the youth opportunities programme (YOP) and the special temporary employment programme (STEP) are excellent instruments for assisting the two gronps who are suffering most from bigh unemployment — school leavers and the long term unemployed. What is needed is an anlargement and improvement of both programmes. It would ba totally wasteful and destructive to tear tbem down and start to build again, thus destroying all the experienca and expertise gained over the last two years.

The Government has undertaken to enlarge and improve the youth opportunlties programme, which already provides 250,000 training and work experience places for unemployed school leavers. This ia exactly what is needed. It is clearly right that we should devote resources to education and work experience programmes for the young unemployed, which will make them more flexible and capable workers in the future. The Government refuses, however, to do anything at all for the long term unemployed. There are already 350,000 people who have been without a joh for 12 months and there will soon be 500,000. The STEP programme provides only 12,000 places. Long term unemployment affects all age groups but hits older workers mora severely. This group suffers extreme poverty, personal demoralisation and loss of confidence. Tbey are suffering hadly as individnals and their future employability is being damaged. What is needed is an increase in the resources made availabla to the MSC in order to enlarge the STEP programme. What is not needed is new programmes wbich will have to begin by re-inventing the wheel.

Clare Sbort.
Youthaid.
Tress House,
3, Stomford Street SE1.

The verdict on comprehensives

From Jone Steedman

Sir,—I am grateful to your leader write ("No verdlct on comprehensives," July 21) for reminding readers of the value of ohjectivity, concerning our report on secondary schooling of the children in the natiooal child development study. In the interests of objectivity, therefore, I would like to make the following points. Our report might seem "inconclusive" to any one wanting one answer to tbe question "are comprehensives better or worse than the old selective system?" A simple overall answer was ruled out by the complexity of the issues and by our evidence; a more realistic set of conclusions was possible. May I clarify two of those, lest your readers believe your writer's opinlon tbat "mediocre scholars did less well in comprehensives"?

Tbe finding from wbich this observation might bave arisen concerns only that fifth of the sample who at 11 years scored in tbe middle group of five on tests of attainment. "Middling" children thus defined did not "constitute tbe majority," despite your leader's view. The small number (one-tenth of tbe "mediocre," or 2 per cent of the wbole sample) who for one reason or anotbar went to a grammar achool had progressed furtber by 16 than the equivalent children in secondary moderns and comprebensives. As far as the remainlng 90 per cent of middle range children ia concerned, comprehensive pupils did not "do lesa well" than secondary modero pupils. That they did no better than others may be a cause for concern about education ln general, but less for surprise about comprehensives, since comprebensives resembled secondary moderns in their intakes of 11-year-olds.

Of those who, by the lights of tests at 11, might have gone to grammar schools, it waa clearly possihle to say that pupils in comprehensives had done as well hy 16, as measured hy tests of mathematics and reading, as their equivalenta who did go to grammar schools. These comprebensive pupils did better than pupils who, despite high atiainment at 11, hed gone to secondary moderns. This is the picture for the top fifth of the whole sample at 11 —academically able children, but not simply the unusually "gifted" subjects of the HMI's report with which your writer attempts an unjustified contrast.

Jane Steedman
(Research Officer),
National Children's Bnreau.
8, Wakley Street, EC1.

Providing for education

From Mr. M. Bruce.

Sir, — Your editorial, "No verdict on comprehensives" July 21, rightly questions the conclusions wbich Mr. Neil Kinnock draws from the National Cblldren's Bureau report on secondary education; but the editorlal itself is equally open to question.

Your comparlson of the satisfaction of parents with children ln comprehensive schools and those with children ln selective schools would he fair if comprehensive and selective scbools were alternatives. This ls not the case. The alternatlve to comprehenslve scbools ls, of course, a mix of selective and non-selective schools with a ratio of about 1:4 ln pupll numbers.

Many would agree that grammar scbools can provide an excellent education for the mlnority who attend them. The real questlon ls bow well grammar and secondary modern schools togetber can provide for the nation's children and how this provision compares with that of the comprehensives. To this question your figures give no answer.

M. G. Bruce.
(Head of the Scbool of Education and Teaching Studies.)
Thames Polytechnic.
Wellington Straat, SE1.

Waves of energy

From Mr. D. Ross

Sir.—Your interesting survey nf Japan's researcb into energy sources (July 21) omits to mention one activity in which the Japanese bave an undisputed lead over all other countrles: wave energy. They bave a 500-ton ship, the Kaimei, producing electricity from waves and officially rated as a two megawatt power station. It is plugged lnto the grid and providing energy from a benign, renewable aource.

On deck are 11 generators, one of them produced by a company named Centrax at Newton Abbott and paid for by Britain. It cost £300,000 and cnnstitutes Britisb aid for Japan! The Japanese also have 300 navigation buoys functioning in the Pacific on the same princlple, invented by Commander Yosbin Masuda. It consists of a chamber open to the see. As the waves rise and fall, a bubble of air is pushed out and sucked in and this drives an air turbine.

Britain has now started to buy these buoys and Trinity House has moored lts first three off Great Yarmouth, Dover and Harwicb. The wave power charges a battery which drives the flasher nnit as well as lighting up the lamp. As to cost, it rapidly saves money. The conventional method of sending out a ship to cbange a gas canister costs well over £200 an hour and on average it takes four hours for each voyage. WAGs, as they are called by the Trinity House staff (wave activated generators) cost £3,000 each and with a saving of £800 each time the canister would bave to be renewed, it does not take long to pay for itself.

In Britain, alas, a parsimonious Government programme is confining our inventors to small-scale laboratory testing.

David Ross.
55, Ruskin Park House,
Champion Hill, SE5.

Today's Events

GENERAL

UK: Sir Derek Ezra, National Coal Board chairmao, introducas the Board's annual report.

Manchester City Council meets to finalise measures to solve city's fioaocial crisis.

British Shipbuilders' anoual reporl published.

British Airways' annual report published.

Overseas: New Hebrides becomes independent.

Presldeot Portillo of Mexico visits Venezuela.

PARLIAMENTARY BUSINESS

House of Commoos: Until 7 pm. Debate on Liberal motioo oo the plight of small businesses. Debate on Opposition motion on effecl of Goveroment policies on the textiles aod clothing industries. Motioo on the education (assisted places) regulations. Remainiog stages of lhe Law Reform (miscellaneous provisions) (Scotland) Bill. Motions on the International Monetary Fund (increase of subscription) order.

House of Lords: Housing Bill, third reading. Motioos to approve companies (directors' report) (employment of disabled persons) regulations 1980.

Select Committees: Home affairs, on Home Office reports. Room 15, 10.45 am. Eoergy, on the Governmeot's statement on the new nuclear power programme. Room 8, 11 am. Transport, oo the Roads white paper. Room 17, 11 am.

COMPANY MEETINGS

Ambrose Investment Trust, Institute of Chartered Accountaots, Moorgate Plare, EC, 12.30. Beecham, Hotel Inter-Contioental, 1 Hamilton Place, Hyde Park Corner, W, 12. Coalite, Savoy Hotel, The Strand, WC, 12. Continental and Industrial Trust, 120 Cheapslde, EC, 12. James H. Dennis, Trafford Park Road, Manchester, 11.30. Alfred Dunhill, Cafe Royal, 66 Regent Street, W., 12. Eva Iods., Midland Hotel, Manchester, 11.45. Halma, Dorchester Hotel, Park Lane, W, 12. Arthur Holdeo, Midlaod Hotel, New Street, Birmingham, 12. Lesney Products, Tower Hotel, St. Katherioes Way, E, 3. F. H. Lloyd, Great Eastern Hotel, Liverpool Street, EC, 12. Polly Peck, 37 Queen Street, EC, 11. Rediffusion, Institute of Directors, 116, Pall Mall, SW, 12.15. Reed Iotematiooal, The Institute of Electrical Engineers, Savoy Place, WC, 12. Samuel Sherman, 10 Hanover Square, W, 10.45. 600 Group, Grosvenor House, Park Lane, W, 11.30.

NatWest £8.8m midterm rise

CHARGES for bad debt up from £19.4m to £61.5m meant the first half 1980 taxable profit increase at National Westminster Bank was held back to £8.8m at £224.8m.

Commenting on the provisions, Mr. Robin Leigh-Pemberton, chairman, said yesterday that specific provisions, up from £10.3m to £47m, relate to the bank's policy towards customers in what is foreseen to be a "very difficult half year or year ahead."

He said that if there were any large companies figuring in these provisions then they were very few, and there were no very large ones. The provisions were generally made up of a fair number of small companies, and the bulk related to domestic business.

The addition to general provision of £14.5m (£9.1m) was considered necessary to take account of the element of lending which the directors estimate to represent losses existing but not yet identified, arising from the combined effect of growth in lending figures and the current economic background.

On interest rates the chairman stated that if they fell another point or two it would not necessarily result in an increased volume of borrowing. Most of the bank's customers, certainly the commercial ones, were borrowing out of necessity on account of the need for working capital in an inflationary period.

First half lending remained at a high level, but a dampening of the increasing trend is expected in the second half.

It was possible a fall in interest rates would result in increased demand for personal borrowing, "but that we have undertaken to resist," said Mr. Leigh-Pemberton.

Enlarging on lending policy, Mr. Jeff Benson, chief executive, said the bank was trying to nurse many companies through a difficult period. "Hopefully this next 12 months will see a bottoming out." He stuck to his previous forecast that base rates would be down to 14 per cent by the year end.

During the first six months group deposits continued to grow, though the composition has changed somewhat from the end of last year. The overall rise was some 10 per cent and the proportion of currency within the total increased from 44 to 47 per cent. A 6 per cent advance in parent bank sterling deposits is largely accounted for by growth in 7-day deposit accounts.

The rise of interest rates to record levels in the UK, which increased the competitiveness of 7-day money, was also a major factor in first half results.

Another significant factor has been the reduction of the base/deposit rate margin to 2 per cent as compared with an average 2.44 per cent for the whole of last year.

The impact of interest rates has also been offset by finer margins in certain areas and by cost increases arising from inflation and the recent pay settlement, the full impact of which will show through in the second six months.

These factors bear largely on the domestic banking contribution which accounted for 61 per cent of group results.

International banking activities increased their contribution which now represents 34 per cent of the total; the major factors in this improvement were increased volumes and earnings from foreign exchange dealings. This sectors profit for the six months totalled £84m, against £104m for the whole of last year.

The contribution of the related banking services division was materially affected by the initial high cost of funding Lombard North Central Group, which was inevitable in a period of rising interest rates.

Frst-half earnings per £1 share are shown to have risen from 56.3p to 78.3p and the net interim dividend is increased by 20.7 per cent from 7.25p to 8.75p. Last year's total payment was 17.5p from profits of £441.5m.

On a current cost basis half-time operating profits were £100m (£147m) and pre-tax profits £112m (£151m). The falling trend of real profits reflects the high cost of maintaining an adequate capital base to support the growth in balance sheet volumes caused by high inflation rates.

	Half-year (restated) 1980 £m	1979 £m
Trading surplus	227.7	218.2
Share of assoc.	7.9	8.1
Profit-sharing scheme	10.9	10.3
Profit before taxation	224.8	215.0
Tax	40.0	86.7
Minorities	0.6	0.4
Preference div.	0.4	0.3
Extraordinary debit	1.3	†1.1
Attributable	182.5	129.7
Ordinary div.	20.6	16.8
Retained	161.9	112.9

†Credit

Michael Lafferty writes: Unlike Midland and Lloyds, the management of NatWest refused yesterday to reveal the movements on the Bank's bad debt provisions. The chairman said this was information which would only be given at the year end. He implied, however, that the substantially increased charge in the profit and loss account may not necessarily reflect actual losses eventually incurred. "It may well work out that the (specific) provision never has to be used," he admitted.

"It may be we will have to carry our customers over this period where strict prudentiality in other circumstances would not have justified. This is a board decision and an act of judgment to fix a figure on the elements of our lending portfolio which represent latent difficulties."

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HIGHLIGHTS

The re-opening of the sterling bond market for foreign borrowers is analysed by Lex in the light of the placing for the Kingdom of Denmark to raise £75m through a 13 per cent 25 year loan stock. The British Steel accounts reveal a steep increase in losses and a heavy write-off below the line but Lex argues that the Corporation's funding requirement are by no means diminishing. Allegheny Ludlum has come back for the 55.6 per cent of Wilkinson Match that it does not already own with a bid which values the whole group at £64.5m. Lex looks at the terms against the background of WM's difficult trading environment. National Westminster Bank's results may have fallen below earlier brokers' estimates but compare tolerably well with other clearers, a trebled bad debt provision reflects the cash squeeze in British industry but overseas operations have performed well. Elsewhere, profits from textile group Vantona, and engineering group Acrow, have been badly affected and the difficulties in Iran have forced Bath and Portland to delay publication of its interim results for the period to April 30.

Brady Inds. continues recovery

THE RECOVERY from near break-even two years ago continued at Brady Industries in the 12 months ended March 31, 1980—the group boosting taxable profits from £409,184 to £525,848.

A final dividend of 2.75p lifts the total to 4.25p net, compared with a single payment of 3p last time.

Midterm profits jumped to £181,000 (£4,000), and the directors were confident of continued progress during the second half.

Full-year taxable profits of this shutter, door, grille and lift-maker were struck after slightly lower interest of £223,845 (£256,468). Turnover increased by some £2m to 21.38m.

Tax took £295,800 (£212,806)—last time there was a deferred tax write-back of £435,758. SSAP 15 has been adopted and comparisons restated.

Stated earnings per 25p share were 14.4p, against 17.2p which included 11.9p in respect of the written back deferred tax provision.

There were extraordinary credits of £83,146 (£45,944).

Baker Electronics comes to market under rule 163

Baker Electronics, an electrical engineering company, is coming to the market through the placing of 800,000 10p shares, representing 39.6 per cent of those issued, at 60p per share.

The company plans to list its shares under Stock Exchange rule 163 (2) and has no present intention of seeking a full listing.

The proceeds of £480,000 will be used to finance working capital requirements, a high level of stocks, and the company's growing leasing operations.

Baker's main arm, Manufacturing Processes Limited (MPL), is a supplier of computer power systems. Last year it took a 51 per cent stake in the newly formed Microdata Computers (MDC), which plans to produce a range of portable microcomputers using silicon chip technology.

MDC's first major product is due to be launched next month but Baker believes it will not make any material impact on the group's results in the current year.

Baker is forecasting pre-tax profits of £240,000 for the year to March 31, 1981, compared with £97,000 in the previous year.

A pro forma balance sheet at June 30, 1980, adjusted for the placing proceeds, shows net current assets of £292,260. The figure of £616,533 for net assets includes £173,130 of goodwill arising on the acquisition by the company of MPL. The balance sheet also shows net cash and bank balances of £84,462.

The placing is being made by Tring Hall Securities. Brokers to the issue are Earnshaw Haes.

● comment

The profits record of Baker Electronics, which is distorted by the introduction of pension contributions two years ago, justifies the prospective fully-taxed p/e of 10.5. The yield is also attractive at 9.2 per cent and should remain so for the next couple of years, since the chairman has waived dividend rights on over a third of the issued capital. This enables the company to maintain reasonable cover on generous dividend payments. There is an additional carrot in the shape of Baker's new brief-case computer, which is being launched next month and could notch up useful sales. The company is eyeing acquisitions and has an option to buy the minority interest in MDC on attractive terms. The main source of concern is the balance sheet. It will show a sizeable net cash position after the placing but it contains a sizeable element of goodwill and the offer price of 60p is almost three times tangible net worth.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Nat West. Bank ......int.	8.75	Aug. 29	7.25	—	17.6
Acrow	1.5	Dec. 2	1.5	3	3
Bath, Portland 1st int.	1	Sept. 22	1.6	—	1.6
Drayton Fr. Eastrn. int.	0.4	Aug. 26	0.4	—	1.13
Grindlays Hldgs. ...int.	1.25	Oct. 1	1.06	—	3.75
Brady Inds.	2.75	—	3	4.25	3
Manson Trust	2	—	1.5*	3.5	2.63*
Vantona Group ......int.	3	Oct. 1	3	—	8
Investing in Success int.	1.2	Sept. 29	1.05	—	4.9
Regional Props.	1.25	—	1	1.9	1.5
Bank Leumi (UK) ...int.	3.15	Aug. 15	2.8	—	8.32
City Offices ......int.	1.3	Oct. 1	1.3	—	3
Woodrow Wyatt	1.5	—	1.5	2.5	2.5
C.S.C. Inv. Trust ...int.	3.25	Sept. 26	2.75	—	6.5

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues.

Advance at Reed Paper

TAXABLE PROFITS of Reed Paper, the Canadian subsidiary of Reed International, moved ahead by some C$9.1m to S29.8m in the half year ended June 28, 1980. Sales rose from $92.2m to $105.33m.

The pre-tax surplus included substantially higher interest received, at $6.29m ($2.05m), but "other income" fell to $54,000 ($316,000).

Attributable profits came through ahead from $17.32m to $21.88m, after tax of $12.31m ($8.95m) and extraordinary credits of $4.38m ($5.55m).

Comparisons have been adjusted to reflect the earnings of the businesses discontinued in 1979.

Lower trading margins at W. Pawson

Current trading margins are lower than last year at W. L. Pawson, the textiles group, but they are sufficient to make for "satisfactory" trading.

This was the view of Mr. Stanley Wootliff, chairman of Pawson, who told shareholders at the annual meeting that "everybody in the textiles sector is being tarred with the same brush." Mr. Wootliff was commenting on the squeeze on consumer spending in the retail sector.

The chairman acknowledged a continuing high level of gearing, which stood at near 100 per cent, in the last accounts.

Mr. Robert Henton, finance director, later said he expected difficulties in the retail sector to continue for the next few months.

Grindlays marginally down so far

FIRST-HALF 1980 taxable profits dropped from £17.89m to £17.33m at Grindlays Holdings, the holding company whose principal investment is its 51 per cent interest in Grindlays Bank. The continuing strength of sterling contributed to a reduction in the bank's profits, from £17.98m to £17.43m.

Comparatives have been amended to recognise the change in the group's foreign exchange accounting policy made in the 1979 annual accounts.

Attributable profits of Grindlays Holdings were down from £4.75m to £3.97m, after tax higher at £9.47m (£8.37m) and minorities. Earnings per 25p share fell from 14p to 11.7p, but the interim dividend is raised from 1.0625p to 1.25p net. Last year, payments totalled 3.75p on pre-tax profits of £37.15m.

Grindlays Bank has declared an interim of £850,000 (£675,000) net and dividends receivable by Grindlays Holdings in respect of its 51 per cent interest is £433,500 (£344,250).

Overseas earnings before tax of Grindlays Bank were higher than in the same period of 1979 with an increasing proportion coming from the Far East and South Asia. In Europe, overall results from the UK were disappointing with increasing costs a continuing problem and with lower earnings from the Euro-currency business mainly because of reduced margins.

The doubtful debt experience continues to be satisfactory so far this year: but slow payment of interest is becoming more evident in certain areas of business.

The adverse effect of the strong pound in the first six months in respect of working capital overseas was about £0.8m (£0.6m).

Lex, Back Page

Manson Finance profits ahead as lending activities expand

REVENUE of the Manson Finance Trust increased sharply from £2.78m to £4.24m in the year ended April 30, 1980, and pre-tax profits were higher at £891,000 compared with £662,000 previously.

The directors say the increase in profits reflects a continued expansion in the group's traditional lending activities. The total of secured advances by the group increased 32 per cent to £21.7m.

Stated earnings per share are 4.3p against 4.4p. The final dividend is 2p, effectively raising the total from 2.625p to 3.5p.

During the year the role of Edward Manson and Co. was expanded—this subsidiary is now responsible for all new lending by the group and will form the base for the planned extension of the banking services.

The Edward Manson banking operation has more than justified the capital expenditure involved in providing a retail outlet, the directors say, and they are continually looking for new ways to satisfy demands for efficient personalised banking services.

The factoring subsidiary Manson Factors made a healthy contribution to profit and forecasts are encouraging for the current year.

As announced last month, the group has entered into agreement in principle for the Hong Leong Group of Malaysia and Singapore to subscribe in cash for 9.85m new Manson ordinary shares at 39p per share, representing a capital injection of some £3.8m. This issue would result in Hong Leong holding 51 per cent of Manson.

The Manson Board hopes, on receipt of the necessary consents from the Panel for Takeovers and Mergers and from the Bank of England, to be in a position within the next month to provide full details for shareholders of these proposed changes.

The Board proposes to recommend shareholders to approve the issue at an extraordinary general meeting.

● comment

With an Asian fairy godmother waiting in the wings, Manson Finance Trust looks all set to become a fully fledged bank. Having grown steadily over the years through its cautious lending approach, customers mostly being small businessmen wanting new commercial or residential properties, it now wants to branch out into such areas as trade finance, foreign exchange and commercial bills. Until Hong Leong of Singapore came along, it lacked the extra capital, though it had been toying with a rights issue. But Hong Leong, a major name in the Far East, is prepared to pay nearly £4m for 51 per cent of Manson in order to enter the UK financial scene. This will take Manson well over the £5m capital base required for full banking authorisation. Since Manson is close to its gearing limits—secured advances were nearly £22m (up 32 per cent) against shareholders' funds of £2.75m at the year-end—and has been paying most of its profits in dividends, a capital injection is clearly needed for any further expansion. At 44p, a rise of 2p after the improved figures, the shares yield 11.9 per cent with a p/e of 10.

Bank Leumi lifts interim

Bank Leumi (UK) is increasing its interim dividend from 2.8p to 3.15p net, for 1980.

The directors say that the bank has benefited from the increase in capital made last autumn as well as from the high level of interest rates ruling during that period.

They add that there has been a satisfactory growth in all activities in the six months to June 30, and the policy of gradually expanding is showing encouraging results.

Metal Closures Sth. Africa up 56% midterm

METAL CLOSURES, the 77 per cent-owned South African subsidiary of Metal Closures Group, reports a 56 per cent advance in pre-tax profit to R1.61m for the six months to June 30. This compares with R1.03m a year earlier and R2.92m for all of 1979.

All operating divisions benefited from the country's economic upturn, reports the directors. However, in some sectors the company was hard pressed to meet demand. This pressure on capacity is expected to be alleviated by installation of new plant and machinery in the current quarter. Meanwhile, the rebuilding of the plastics factory in the Transvaal is on schedule.

Despite the fact that raw materials cost increases have had to be absorbed, the management expects the current year's profits to exceed those of 1979. However, it warns that the pace of advance in the first-half is unlikely to be maintained.

An interim dividend of 16 cents, against 10 cents a year earlier, has been declared from first-half earnings per share of 38.3 cents. In 1979 dividends totalling 24 cents were paid from earnings per share of 89.0 cents.

Vantona down £2.6m at halfway

TAXABLE PROFITS of Vantona Group, textile, fabrics and clothing manufacturer, fell from £4.02m to £1.42m for the first half to May 31, a drop of 65 per cent on the same period last year.

Turnover was reduced from £57m to £53.4m and there was an increased interest charge of £1.24m (£0.52m).

The interim dividend is held, however, at 3p net. Earnings per 20p share are given as 4.9p (17.1p adjusted). For the year to November 30, 1979, the company paid a total of 8p on pre-tax profits of £8.57m.

Taxation for the first half accounted for £292,000 (£211,000 adjusted). After an extraordinary credit of £308,000 (£3,000 debit) and minorities of £37,000 (£95,000) the attributable balance is £1.4m against £3.71m.

The board says that conditions deteriorated progressively in the six months, through slow demand, increased costs and high interest rates.

The major capital expenditure programme of 1979 has not yet made any contribution to profitability because of low demand and high start-up costs. The outlook for orders and sales is still disappointing but the board is not despondent for 1981.

● comment

It now looks as though the textile sector's trough has deepened severely. Vantona's pre-tax slump of nearly two thirds is the first, but most certainly not the last grim showing to follow the recent gloomy predictions from Courtaulds. The news sent shares 9p lower yesterday to 89p. Sales volume is down around 16 per cent against the first half of last year and stocks remain high. The company is now financing inventories of around £42m worth and still finds its customers overstocked. Interest charges are more than doubled so far, with capital gearing at 34 per cent. But this level is less worrying than the 46.5 per cent level of income gearing, a fourfold increase since the first six months of last year. The group continues to face the problem of U.S. competition in synthetics but it does have a potential bright spot in its uniform business; new export orders should help in the latter part of the current year and in 1981. But this year there is every reason to expect a pre-tax profit decline to little more than £3m, well below 1975's level. Vantona started the year with a reasonable balance sheet and a good track record: one shudders at the prospects of less stable companies. Vantona's prospective yield of 13.3 per cent on a maintained final may offer some support, but a prospective p/e of 14.3 on a full tax charge suggests that the share price is still someway behind events.

Steady rate for yearlings

The interest rate on this week's batch of yearling bonds is 13½ per cent, unchanged from last week. Issued at par, they are redeemable on August 5, 1981.

The issues are: South Oxfordshire DC (£.25m); Wansbeck DC (£0.25m); Kennet DC (£0.25m); City of Liverpool (£2.5m); The Receiver for the Metropolitan Police District (£0.5m); London Borough of Brent (£0.5m); Braintree DC (£0.5m); Crawley BC (£0.5m); East Hampshire DC (£0.5m); Tameside Metropolitan BC (£0.5m); Worthing BC (£0.25m); Birmingham DC (£1m); Broxbourne BC (0.75m); London Borough of Greenwich (£1m); London Borough of Haringey (£1m); Northampton BC (£0.75m).

Drayton Far Eastern up at halfway

Gross income of Drayton Far Eastern Trust for the half-year to June 30, 1980, rose from £202,400 to £266,800 with pre-tax income improving to £233,600, compared with £164,000.

Tax charged amounted to £122,000 (£88,900).

The interim dividend is a same-again 0.4p net and net asset value per 25p share is given as 64p (52p).

Last time a final of 0.725p was paid from taxable revenue for the year up from £306,000

MAURICE JAMES

The High Court of Justice has confirmed the proposed partial repayment of the share capital of Maurice James Industries.

It is expected that repayment of 10p per ordinary share and 75p per preference share will be made about the middle of August 1980.

The 10 per cent unsecured loan stock 1982 will be repaid at the same time.

Woodrow Wyatt slips to £0.3m

PRE-TAX PROFITS of Woodrow Wyatt Holdings, printer, slipped from £369,405 to £300,110 in the year ended March 31, 1980, on increased sales of £7.74m, against £6.31m.

The directors say that after a disappointing start to the current year because of the printing dispute, business is picking up encouragingly.

Trading profits in 1979-80 were marginally lower at £609,583 (£629,123), before interest some £80,000 higher at £282,223 and exceptional debits of £27,250 (£37,658).

Midterm taxable profits were slightly ahead at £156,646 (£171,267), and the directors hoped the trading surplus would continue to improve throughout the year.

They now say the full-year results were achieved against a background of very poor trading conditions in the printing industry in the final quarter.

The net total dividend is held at 2.5p, with a final of 1.5p.

Stated earnings per 5p share are down from 7.5p to 6p, after tax of £45,193 (£50,541).

The group continued to strengthen its position during the year and the directors believe this can be maintained in the current period provided the recession does not worsen beyond general expectation.

The installation of a second five-unit MAN press, which will start printing commercially in August, will substantially improve productivity, they add.

Gilgate Secs. wound-up

GILGATE SECURITIES, management and administration company for the Gilgate group, was compulsorily wound-up in the High Court on Monday.

The order was made on a petition by the Inland Revenue, creditors for £48,000 PAYE tax.

Counsel for Gilgate said she could no longer oppose a winding-up order being made.

SPAIN

July 29	Price %	+ or −
Banco Bilbao	228	
Banco Central	248	
Banco Exterior	210	
Banco Hispano	224	
Banco Ind. Cat.	120	
Banco Madrid	141	
Banco Santander	276	
Banco Urquijo	136	
Banco Vizcaya	236	
Banco Zaragoza	211	
Dragados	85	
Espanola Zinc	60	
Fecsa	60.7	
Gal. Preciados	25.2	
Hidrola	66.5	
Iberduero	61.2	
Petroleos	120	
Petroliber	86.5	
Sogefisa	107	
Telefonica	62.2	
Union Elect.	66.2	

Ellerman 'capable of profit this year'

Ellerman Lines believes it is capable of returning to profitability in 1980. Mr. Dennis Martin-Jenkins, reflecting on the worst results since he became chairman of the shipping, leisure, breweries and insurance group in 1967, blamed the continuing shipping slump, appalling weather and industrial unrest for the attributable loss of almost £8m last year.

He told shareholders at yesterday's annual meeting, however, that the group is running slightly below budget but not to the extent of making a year-end profit unrealisable.

Asked later about the possibility of obtaining a quotation, the chairman said it was conceivable that Ellerman would seek a listing but this would be considered over the longer rather than the short term.

He stressed, however, that Ellerman would have to restore its track record after last year's heavy losses. He inferred that he would prefer to pursue the offer-for-sale route to a listing which requires a five-year record of profits growth.

He insisted that the two charitable trusts set up by the late Sir John Ellerman would never relinquish control of the group. At present, the trusts jointly own 79 per cent of the deferred equity, the only class of share to hold votes.

Ellerman is now undergoing an extensive programme of cost-cutting, allied to asset sales. Two vessels have been sold at an aggregate price of about £4.5m so far this year and the fleet of 15 managed and wholly-owned cargo and container ships is likely to be reduced by a further two vessels before the end of 1980.

The head office in the City has been sold and leased back from an unnamed investing institution which, with other disposals, has raised £23m in 1980.

Total debt has been cut from the balance sheet figure of £82m to £63.3m and contractual repayments will cut borrowings further to under £60m. Net worth is £9?m.

MINING NEWS

Hampton Areas may join the small oil league

BY KENNETH MARSTON, MINING EDITOR

NOT A MAN given to other than down to earth caution, Mr. Jim Ley, chairman of Hampton Gold Mining Areas allows himself a considerable degree of enthusiasm for the UK company's prospects in his statement with the annual report.

Of North Sea oil prospects, he says that it is reasonable to hope that Block 16/21-a will prove to be capable of economic development. This would have a "profound effect" on Hampton Areas which has a 5 per cent interest in the North Sea Sun Oil consortium which is carrying out the *drilling*.

In fact, Mr. Ley considers that Hampton Areas "may now be upon the threshold of joining the small group of UK independent oil companies which have been successful in the North Sea."

The company's Great Row UK coal interests continue to do well, especially with the increasing price of oil-energy while the Wultex mining machinery group, which made a profit in 1979 despite the adverse effects of the UK engineering and steel industry strikes, should do better this year.

Australia, however, has had its disappointments, notably with the open-cast gold operation which proved to be uneconomic; the White Hope gold mine which failed to fulfil its hope; and the share in the Northampton lead mine joint venture which presented unsolvable problems of management and which was sold, Mr. Ley points out, before the substantial fall in the price of lead.

However, Australia continues to provide Hampton Areas with its basic income, the "cast iron" royalties which are received on part of Western Mining's nickel production: these payments are based on the value of the metal extracted rather than the mining profit after the deduction of mining costs.

In all, therefore, Mr. Ley takes a confident view of this year's prospects, pointing to the fact that the company's interests are "relatively immune from the present world trade recession."

But whether Hampton Areas can be considered as "relatively immune" from another take-over bid in due course, may be another story: it remains to be seen, for instance, whether Mr. Ferguson Lacey's National Carbonising will be content to let its holding in Hampton Areas stay at 25.6 per cent. Hampton Areas eased 10p to 410p yesterday to yield only 1.6 per cent.

Australian-Japan agreement for oil-from-coal project

FOLLOWING THE report in this column last month that a Japanese consortium planned to build a pilot oil-from-coal plant in Australia's state of Victoria, it is now announced that a draft agreement calls for the establishment of the pilot plant by 1983 to be followed, if the project proves to be feasible, by six larger commercial plants by the end of the 1980s.

The Japan-Australia national brown coal liquefaction project will be promoted by a consortium of five Japanese firms. To be called Nippon Brown Coal Liquefaction, the Y500m (£950,000) firm will be owned as to 20 per cent each by Kobe Steel, Mitsubishi Chemical Industries, Nissho Iwai, Idemitsu Kosan and Asia Oil.

According to a Tokyo report, the project envisages an approximately 50-50 share in the Y38bn costs of the pilot plant between the Japanese Government and the State of Victoria. It will have a daily liquefaction capacity of 50 tonnes of dry coal and will take some two years to complete.

Funding from the Japanese Government is expected to begin in the 1981 budget while the Victoria state share will be represented by the provision of land, coal, infrastructure and personnel for all stages of the long term project.

Design of the first commercial plant, with a capacity of 5,000 *tonnes of coal* a day, is scheduled to begin in 1983. The target combined output of all six commercial plants would be some 100,000 barrels of coal-extracted oil per day. The president of the consortium is Mr. Kokichi Takahashi, president of Kobe Steel while the chairman is Mr. Eiji Suzuki, president of Mitsubishi Chemical Industries.

Liquefaction based on brown coal reserves is also very much in the mind of Australia's Moonie Oil group. At the latter's Gelliondale exploration licence in Victoria huge reserves of at least 2.3bn tonnes of wet brown coal are believed to exist.

Moonie hopes that its joint venture with America's Atlantic Richfield will lead to the eventual development of a US$2.5-3.5bn (£1.1-£1.47bn) mine and liquefaction project in which the company will have a 50 per cent stake.

Anglo-De Beers and Gold Fields appointments

THE EXPECTED inter-change of board representation following the recent acquisition by the De Beers-Anglo American group of a 25 per cent stake in Consolidated Gold Fields is now announced.

Mr. R. I. J. Agnew, group chief executive and a deputy chairman of Gold Fields will be joining *the* board of Anglo American, while Mr. J. Ogilvie Thompson, an executive director of Anglo American and a director of De Beers will be joining the Gold Fields board.

Both these appointments will be in a non-executive capacity, it is stated, and they will take effect on August 1. It is also intended that, within the context of recent discussions between the three companies, a further *appointment* to the Gold *Fields* board will be made in due course.

The joint announcement adds: "These appointments reflect the intention of De Beers, AAC and CGF to co-operate as independent companies when such co-operation is in the interests of their shareholders and does not infringe the competitive situation within the mining industry."

BRINCO'S C$5M OIL DRILLING

The Rio Tinto-Zinc group's Brinco Oil and Gas plans a C$5m (£1.82m) summer drilling programme in western Canada and the U.S. on oil targets. It is expected that this 23 well drilling programme, if successful, could add substantially to the company's present oil production of about 450 barrels per day.

Brinco Oil and Gas, a wholly-owned subsidiary of Brinco, is engaged in oil and gas exploration, development and production in western Canada, offshore the *east* coast, and in the U.S.

KCA in trade pact with China

KCA International, the British-based oil drilling and services group, has joined forces with a Hong Kong company to undertake trade with China and, in particular, to purchase Chinese barite for sale on the world market.

Together with Feoso Oil, an oil shipment and distribution company, KCA has formed a joint venture company, KCA Feoso (Hong Kong), with a capital of U.S.$1m.

The new company and KCA have also signed a compensatory trade agreement with the China National Metals and Minerals Export Corporation in Peking. Under this agreement, a new U.S.$4m barite grinding mill will be supplied and installed in exchange for the sole rights to purchase the total output of the mill for the ten years following completion of the plant.

Barite is used mainly for protection of drilling equipment in the oil industry.

The plant and equipment contracts will be placed shortly and negotiations have already started with British engineering and project management companies.

Over the 10 years of the agreement, the value of barite to be exported is estimated to be worth U.S.$150m and the barite surplus to K.C.A.'s own requirements will be exported to South East Asia and North and South America. Prior to completion [illegible] 1981, K.C.A. Feoso has contracted to purchase about 140,000 tons of barite.

Mr. Paul Bristol, chairman of both K.C.A. and the new company said: "The new trade agreement is, I hope, the first of many new projects K.C.A. will undertake in South East Asia and, in particular, China where we already have an involvement through Berkeley Exploration and Production, which has joined the Seismic Shoot with B.P. in the South Yellow Sea.

"The longer term benefits to K.C.A. from this new project will be significant and I believe we will soon be able to announce further joint ventures in other areas of South East Asia," said [illegible]

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Bath and Portland picture still blurred by Iran debt

PUBLICATION OF the interim statement from Bath and Portland Group has been delayed as the civil engineer attempts to clarify the position of its £105m road-building contract in Iran. Profits from the engineering and minerals divisions, however, have held up well.

Work on the 180-mile Baluchistan road contract, which the Marples Ridgway subsidiary started in 1975, ceased on April 21 this year, and Sir Kenneth Selby, chairman, tells shareholders that the "present legal position is somewhat confused." But the Export Credits Guarantee Department has promised an early review of the group's claims.

The group responded to a formal, legal notice cancelling the contract from the client, the Iran Ministry of Roads, to the effect that Bath and Portland "would be applying to the Courts in Iran for a declaration that the Ministry had already abrogated the contract on April 21 by its continued failure to honour its contractual obligations."

Sir Kenneth and his colleagues believe that the financial position of the company has not deteriorated in the six months to April 30, but the board still concurs with the view expressed by the auditors in the last accounts, that it was not possible to assess whether provisions totalling £9.5m were adequate or excessive.

The board is not able to quantify the Iran figures except to say that the interest payable which would be chargeable to the contract for the half-year is £1.635m.

"The measure of the debts due from the Government of Iran to Marples Ridgway is significantly large and they arise principally from that Government's failure to provide the goods and services they were contracted to provide and to pay for work done," the chairman adds, although he is unable to forecast the outcome of the group's claims "in view of their magnitude and complexity."

On a brighter note, profits from the UK-based subsidiaries climbed from £623,000 to £765,000 at the interim stage and the board has declared a first interim dividend of 1p per share. Last year shareholders received a single interim dividend of 1.6p per share.

Loans totalling £13.5m, advanced by the group's bankers and guaranteed by ECGD, are still outstanding and the group can only look for their liquidation from funds emanating either from Iran or from its insurers. "In consequence," Sir Kenneth explains, "we have sought and obtained from ECGD agreement to an early survey of our claims and this exercise is now in hand for completion within two to three months."

The interim results will be published "as soon as they can be completed with an accurate survey of the Iran situation" but the chairman is already warning of increasingly difficult conditions in the U.K.

Exports and home demand "have been falling fast and will obviously continue to do so for some time" in the minerals and engineering operations—the two half yearly bright spots—while agriculture is "facing a depression far more than industry generally when judged by the farming community's buying habits" and the dull building and civil engineering division, which lost £143,000 after six months, "cannot show any improvement until after the end of the calendar year."

Celestion outlook brighter

Although prospects for Celestion Industries are not very favourable, Mr. D. D. Prenn, the chairman, is hoping for higher profits from the clothing division to give better overall results.

In the last full year to March 30, 1980, severe losses of £524,881 on the sound reproduction side led to the group incurring a pre-tax deficit of £112,988, compared with the previous year's record profit of £1.31m.

Against dismal market conditions, the sound reproduction division continues to introduce new products and it is expected that this policy will lead to reduced losses this year, Mr. Prenn tells members in his annual statement.

Sound Diffusion's accounts qualified

The auditors of electronic engineer Sound Diffusion have qualified their report on the group's 1979 accounts.

Russell, Ottly and Co., says that because of the recent wide variations in interest and inflation rates, they no longer feel able to express an opinion as to whether the directors' assumption made in assessing the company's future commitments in respect of guaranteed minimum rentals payable as a result of equipment sold in 1979 to financial institutions, are fair and reasonable.

In Section D of the statement of accounting policies dealing with future commitments the directors' assumptions in preparing certain projections referred to: Inflation provided for on the basis of 10 per cent per annum compound; and: The interest rates on Inter-bank 3 months sterling deposits (which govern the minimum rental commitments to the financial institutions) will on average amount to 8 per cent per annum.

The auditors add that as indicated by the note in the directors' statement of accounting policies, the assumptions on the two rates have a material effect upon the results disclosed by the accounts.

As published on June 19, taxable profits of the group for the year fell from £790,000 to £379,000. Shareholders' funds are given as £5.18m (£4.07m), cash at bank £960,000 (£418,000) and bank overdraft nil (£151,000). Meeting: Hove, September 26.

Strike-hit Acrow dives to £2m

AFTER SEEING profits decline from £5.98m to £1.31m at halfway, Acrow, international engineering group, has reported a fall for the year to March 31, 1980, of 85 per cent, from £13.78m to £2.02m. Turnover slipped from £151.17m to £146.8m.

There was a tax credit of £464,000 (£4m charge) and after an extraordinary debit of £278,000 (£2.5m) and minorities the attributable balance is £2.25m (£7.31m).

Earnings per 25p share are down to 3.98p (15.56p) but the final dividend is held at 1.5p, making an unchanged total of 3p net.

The profit figure is stated after charging redundancy costs of £707,000 (£43,000) and interest of £5.19m (£3.01m).

The company's properties have been professionally revalued during the year and the surplus amounting to £13.22m has been credited to reserves.

The year under review has been the most difficult in the group's history, says Mr. W. A. de Vigier, chairman. Businesses have been hit by the haulage, engineering and steel strikes.

Some businesses have come under severe market pressure and the board is determined to overcome the present recession by reviewing and where necessary increasing sales efforts.

The modernisation and investment programme which has just been completed in the UK will enable the company to operate as efficiently as any competitor, provided there is industrial peace, he says.

With the exception of the Australian and Spanish businesses, all overseas companies are performing well.

The chairman foresees a poor first half but feels confident that the company will begin to return to a growth pattern in the second term.

Regional Properties pays more

FOLLOWING THE increase from £536,000 to £694,000 at midway, taxable profits of Regional Properties improved to £1.63m for the year ended March 31, 1980, compared with £1.24m previously.

As expected, the directors are recommending an increased final dividend—the payment is 1.25p (1p) to raise the total from 1.5p to 1.9p per share. Stated earnings per share are 4.71p against 3.75p, while net asset value per share amounts to 200.8p compared with 170.5p.

Commercial investment properties were professionally valued at the year-end and together with the book value of the residential properties which were not revalued, resulted in a net aggregate figure of £43.73m, producing a net surplus over book value of £11.64m.

Net interest and outgoings on development properties amounts to £570,907 (£516,346) and an extraordinary credit of £414,087 against £2.53m previously is transferred to capital reserve, leaving a surplus for the year of £878,055 against £701,110.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims:—Drayton Commercial Investment, F. Pratt Engineering, Prestige, Yeomen Investment Trust, Weber, Thomas Witter.

Finals:—Blackman and Conrad, J. Jarvis, Stavert Zigomala, Stock Conversion and Investment Trust.

FUTURE DATES

Interims:—

Anglo American Coal	Aug. 7
Braime (T. F. and J. H.)	Aug. 21
Bridgwater Estates	Aug. 13
Davies and Metcalfe	Aug. 5
Electrical and Industrial Secs.	Sept. 1
Foreign and Colonial Inv. Tst.	Aug. 7
Guardian Royal Exch. Assur.	Sept. 3
Imperial Chemical Industries	Aug. 28
Relyon (P.&W.S.)	Aug. 15
Slough Estates	Aug. 27
Vereeniging Refractories	Aug. 6
Ward Holdings	Aug. 22
Woolworth (F. W.)	Aug. 13
Finals:—	
Cantreway	Aug. 5
Centreway Trust	Aug. 7
Ewart New Northern	Aug. 8
Lep	July 31
Owen and Robinson	Aug. 4

Daniel Thwaites tops £3m

WITH a slight improvement in the second half Daniel Thwaites and Co., unquoted brewer and wine and spirit distributor, increased pre-tax profits from £2.56m to £3.12m in the year to March 31, 1980.

At the interim stage the company reported a figure of £1.98m against £1.52m, but did not expect to match that of the previous year, because of increasing costs.

Turnover for the year was up to £28.03m (£24.83m). Tax took £1.51m (£1.43m).

The final dividend is lifted from 4.7p to 6.2p, making a net total of 7p (6.5p).

Static half for City Offices

GROSS INCOME of the City Offices Company, property investment and development group, climbed from £843,563 to £931,982 for the first half of 1980, but pre-tax profits were little changed at £677,959, compared with £675,420.

After tax, up from £171,121 to £290,672, stated earnings per 25p share fell by 0.44p to 1.43p, although the interim dividend is maintained at 1.3p net—last year's total payment was 3p on taxable profits of £1.39m.

Extraordinary credits, which increased from £172,409 to £438,289, were transferred to capital reserve.

BIDS AND DEALS

Rowe & Pitman sells 15% of Hong Kong offshoot

Rowe and Pitman, stockbroker, has sold a 15 per cent stake in its Hong Kong subsidiary, Rowe and Pitman (Far East) to Private Investment Company for Asia (PICA).

PICA is a private Asian development finance institution, similar in function to the City-backed Industrial and Commercial Finance Corporation in London.

Its shareholders include many of the large multinational corporations and its board contains representatives of Broken Hill Proprietary, Shell Transport and Trading, Lazard Freres, Dillingham Corporation, Dominion Bank, Banque Nationale de Paris and Citibank.

PICA's total net worth in the last balance sheet was US$150m. The group specialises in long-term loans, equity participation and the supply of management expertise to companies throughout South East Asia. Its investments in the 10 years since it was founded exceed $150m.

The link between the stockbrokers and PICA is "an exciting development in one of the most exciting investment areas in the world," Mr. David Brooke, a partner in Rowe and Pitman, said yesterday.

Many of Rowe and Pitman's UK institutional clients, Mr. Brooke said, were looking for ways of investing in industries in the Far East and the link with PICA could provide the essential local knowledge.

For PICA the attraction is the financial avenues that would be opened through a shareholding in a broking firm with major City of London connections. It sees the future activity in Asia determined "not only by the abundant opportunities but by the availability of funds for equity investment." It will seek those funds worldwide.

Vickers has 72% of R-R

Vickers has received acceptances in respect of 42,309,202 (71.7%) ordinary shares in Rolls-Royce Motors. The offer has been declared unconditional as to acceptances and remains conditional upon clearance from the Monopolies Commission.

The offer has been extended until August 11.

KILI (UK)

£1.68m Matthew Hall deal

Oil and chemical engineer Matthew Hall has acquired James Williams and Co. (Neath 1957) for £1.68m cash—part of which will be paid to a retention fund.

In the year to March 31 last, Williams, a specialist in mine tunnelling, made profits before tax of £343,000.

Based on its own estimate of the value of the plant, Matthew Hall considers that the net assets acquired are worth about £750,000.

Mr. Arthur Hoskins, managing director, said the acquisition will add to the group's mining expertise—complementing the operations of Matthew Hall Ortech, which designs and constructs process plants for the treatment of coal and other minerals, S. A. Scott Inc., a consultancy company specialising in sub-surface engineering, and Qualter Hall, supplier of mine shaft and materials handling equipment.

SHARE STAKES

The Sun Life Assurance Society has increased its holding of ordinary shares in Group Investors to 847,500 (12.23 per cent).

Mr. M. J. Stringer, director, has disposed of 104,000 Tozer Kemsley and Millbourn (Holdings) shares at 67p, leaving his holding at 2,965 shares.

The Sun Life Assurance Society now holds 627,500 shares (5.6 per cent) on Glasgow Stockholders Trust.

JONAS WOODHEAD COMPLETES PURCHASE

The directors of Jonas Woodhead and Sons say that the conditions subject to which they agreed to buy 75 per cent of Construction et Refection Technique et Moderne of Clichy, France, have been satisfied.

The purchase has now been completed and the purchase price of FFr 8.63m (about £930,000) has been paid. CRTM makes shock absorbers under the brand name of Amortex and has an extensive range for the French, German and Italian automotive industries.

KIWI (UK) ACQUISITION

Kiwi International Co's subsidiary, Kiwi Products (U.K.), of Yateley, Surrey has acquired Hovell's of Yalding, Kent, for cash.

Hovell's, established in 1854, manufactures and distributes a range of Christmas crackers, Christmas decorations, cake decorations and other fancy goods, through a wide variety of UK outlets.

The acquisition will bring benefits to both Kiwi U.K. and Hovell's with particular benefit being achieved for Kiwi's Cameo candles division who share many trade outlets with Hovell's.

ASSOCIATES DEAL

Rowe and Pitman, associates of British Land Company, today bought for an associate of British Land, 35,000 Corn Exchange shares at 50p.

PROVINCIAL CITIES AHEAD

Net income of the Provincial Cities Trust rose from £101,741 to £116,879 for the year ended May 31, 1980, after tax of £50,462, against £46,646. Gross income was up £32,251 at £209,922.

Earnings per 25p share increased from 2.1p to 2.41p and the dividend is lifted to 2p (1.78p) net, with a final of 1.29p.

Owing to an agency error, the figures in yesterday's report were transposed.

INI presses International Harvester on Enasa deal

BY ROBERT GRAHAM IN MADRID

FINAL AGREEMENT on the proposed links between International Harvester of the U.S. and the loss-making Spanish truck maker, Enasa, seems unlikely to be completed tomorrow when the deadline for the deal is due to expire.

A top level delegation from the Spanish state holding company, INI, led by Sr. Jose Miguel de la Rica, the president, flew unexpectedly to New York on Monday and was due to meet with executives yesterday. Sr. de la Rica, whose company currently owns 91 per cent of Enasa, was expected to press IH to commit itself to the agreement, although INI is apparently willing to accept some delay.

For its part IH is still working on a detailed study of Enasa and its future operations. The main difficulty affecting the agreement has been the complexity of the proposed deal and the size of the financial commitment IH is being asked to make in the face of serious trading losses at home.

In New York yesterday International Harvester confirmed that top level talks with Enasa were in progress, but would not comment on the progress of the negotiations.

IH is due to take a 35 per cent shareholding in Enasa as part of a wide-ranging agreement which includes linking the two companies' distribution networks and an investment of $100m by IH in a new engine plant near Madrid.

Under the terms of January's outline agreement INI would first buy out the existing shareholders in Enasa and then sell 35 per cent to IH. INI would continue to cover all Enasa losses through to 1982. Last year these topped $100m and this year will probably be larger.

The agreement also envisaged heavy cuts in Enasa's workforce. The direct cost of the IH stake has never been disclosed.

Since the agreement with IH was of necessity tentative, INI in March took the precaution of talking to two Japanese motor groups, Toyota and Nissan, about Enasa's future and both these companies have retained a residual interest. Until January Nissan was considering a venture in which Enasa would be merged with Motor Iberica to form a large Hispano-Japanese automotive group.

If IH does go ahead with the Enasa and engine plant agreements, it will have set up one of the main springboards by which it hopes to become a significant force in the European truck market by the mid-1980s. IH already owns Seddon Atkinson, the Lancashire-based heavy truck maker, and has a 33 per cent stake in Dutch truck maker, DAF.

Closures at U.S. Steel slow fall in earnings

By Ian Hargreaves in New York

UNITED STATES STEEL, the largest American steelmaker, in the second quarter continued to show earnings benefits from last year's costly programme of plant closures and redundancies.

In spite of a severely depressed quarter for the steel industry, which ended with U.S. Steel's steelmaking operations running at only 65 per cent of capacity, the company reported net income for the quarter of $111.5m, compared with $150.4m in the same quarter of 1979. Sales were down from $3.6bn to $3.1bn.

Mr. David Roderick, the chairman, said that while the bulk of the company's profits came from its non-steel operations, notably from chemicals and natural resources, last year's closures had prevented steel manufacturing from slipping into the red.

Mr. Roderick also painted a cautiously optimistic picture of the rest of the year to provide a "foundation for future progress." Steel productivity had improved, he said, and the company had demonstrated the success of its diversification programme.

He spoke, however, of further pressures to reduce the company's workforce beyond the 25,000 men currently laid off.

The rate of orders coming into U.S. Steel at the end of the quarter was almost 50 per cent below the peak level in early March, creating conditions for recession levels of production in the third quarter.

But none of this prevented U.S. Steel producing income considerably higher than some analysts' forecasts, mainly thanks to the maintenance of reasonably strong demand for the company's agrichemicals and some of its industrial chemicals.

For the half year U.S. Steel earned $238m on sales of $6.3bn, compared with profits of $288m from sales of $6.7bn last year.

Steel shipments in the first half were 9.1m tons, compared with 11.5m tons in the corresponding period of 1979.

Copper price fall hits Asarco and Kennecott

By Our New York Staff

KENNECOTT CORPORATION and Asarco, two large metals concerns, saw profits slump in the latest quarter because of weakening copper prices and reduced demand.

Net income at Kennecott was $21m (or 63 cents a share), down from $33.3m or $1 a share, in the same period last year. Sales were down from $628m to $577.2m.

Six month earnings were $82.5m, or $2.49 a share, up from $54.5m, or $1.64. Half-year sales were $1.2bn, virtually unchanged from last year.

The price of copper during the second quarter was about the same as in the comparable 1979 period. But the much stronger price which prevailed in the first quarter pushed profits up sharply in the first three months.

Second quarter profits at Asarco slumped from $68.37m to $32.53m, or from $1.22 a share to $1.10, leaving the half-year total at $116.65m against $105.72m. Earnings per share were up from $3.46 to $5.63. Sales for the quarter were $454.86m ($442m) and $1.12bn ($844.3m) for the six months.

Arco maintains growth in second quarter profits

BY OUR FINANCIAL STAFF

GROWTH AT Atlantic Richfield (Arco), a leading integrated U.S. oil group which owns The Observer newspaper, has been maintained in the second quarter, and shareholders are to get a bigger payout.

The quarterly dividend is being increased from 42½ cents to 47½ cents a share, payable September 15 to shareholders registered on August 8. The new dividend, giving effect to the two-for-one split of May 9, is equal to an annual rate of $1.90 per share.

Net earnings amounted to $434.8m or $1.75 a share in the second quarter, against $260.4m or $1.06 a share in 1979, on revenues up from $3.7bn to $5.6bn.

Profits for the half-year totalled $960.9m or $3.49 a share, against $502.6m or $2.05 a share in 1979, on revenues increased from $7.2bn to $11.1bn.

The company said principal contributors to the income gain in the second quarter were higher production of crude oil from Alaska's North Slope and improved prices.

Phillips Petroleum, the U.S. oil group with large North Sea interests, reported only a small gain in profits for the latest quarter, but blamed this on Norwegian tax policy and the weakness of downstream U.S. operations.

Earnings were $214.8m, or $1.41 a share—only slightly above the $214.6m or $1.39 a share reported in the same period last year. Revenue in the second quarter was $3.23bn, up from $2.22bn.

For the six-month period, Phillips earned $499.3m or $3.26 a share, up 27 per cent on last year's $391.6m or $2.54 a share. Revenue was up from $4.20bn to $6.81bn.

Phillips said the six-month figures reflected the impact of Norwegian taxes which had been made retroactive to January 1 of this year, and had reduced earnings by $117.8m.

Mr. William Douce, chairman, said that basic earnings had increased due to higher oil production and higher prices for oil and gas. But second quarter profits were hit by the glut of petroleum products on the U.S. market, and this affected Phillips' refining, marketing and transportation activities.

Second quarter earnings from the company's chemical operations were also down because of higher costs and a weak market.

METRO-GOLDWYN-MAYER

Riding back from the sunset

BY RICHARD LAMBERT, FINANCIAL EDITOR

A renewed commitment to the film industry is gathering pace at Metro-Goldwyn-Mayer, the film making company recently hived off from the MGM film and hotel group. New sources of revenue are emerging for this side of the business and output is to be lifted threefold from its recent annual production rate of four to five films.

GHOSTS are stirring in Culver City. By the summer of next year, Metro-Goldwyn-Mayer expects to be producing new films at a rate of 12 or 15 a year, compared with its recent annual output of only four or five new films. At around the same time, the company could also be approaching a decision to return to the film distribution business which it abandoned in 1973.

"The film business has never been healthier than it is today," enthuses Mr. Frank Rosenfelt, MGM's president and chief executive. It has certainly come a long way from that bleak day ten years ago when, in what seemed a symbolic break with its glamorous past, MGM auctioned off such treasures as a pair of Kim Novak's underpants and the ruby shoes in which Judy Garland had once tripped along that Yellow Brick Road.

The turning point, according to Mr. Rosenfelt, came with The Godfather and Jaws—"really historical films." Before they hit the screen the movie industry thought it was doing well if it could produce a film every five or 10 years which pulled in $100m at the box office. Now, Mr. Rosenfelt says that half-a-dozen new films each year are producing such figures.

Mr. David Begelman, chief operating officer of MGM's motion picture division since January, suggests that by the early 1970s television had reached almost the ultimate in what it could achieve in the form of family entertainment. That made it possible to create a new audience willing to pay increasing box office prices for what he describes as "an event film"—a star-studded production with lots of special effects.

At the same time, important new sources of revenue have been emerging for the film business. Last year, pay-television grossed more than $1bn in the U.S. for the first time, compared with the cinema's total box office take of $2.8bn. Pay-TV consists primarily of movie entertainment and has become a significant contributor to MGM's annual revenue of $139m from feature films.

Mr. Rosenfelt also sees enormous opportunities in the development of video cassettes and, especially, videodiscs. With a touch of hyperbole worthy of Louis B. Meyer himself, he "can see the time when every kid, not just in the U.S. but in the whole world will have his own Tom and Jerry set on disc."

MGM has a unique library of 1,600 feature films, including such hits as Gone with the Wind, The Wizard of Oz and 2001: A Space Odyssey. The book value is $89m, which includes virtually nothing for films initially released more than 15 years ago. Last month, it announced plans to link this library with the extensive disc manufacturing and distribution facilities of CBS in a joint venture to market video cassettes and videodiscs around the world. Mr. Rosenfelt says the company will be happy to go along with any technology the hardware manufacturers care to name.

MGM plans to limit its financial exposure to individual films by avoiding the $20m or $30m "blockbusters" and by being prepared, where appropriate, to seek pre-production finance by, for instance, setting up a deal with pay-TV. Yet, as was emphasised in a recent circular to shareholders, "the production of film projects is an extremely speculative endeavour," and the overall capital requirements of the business are set to increase sharply as production volumes build up.

To meet these needs, the film side has established a three-year unsecured revolving line of credit for up to $50m from Bank of America. It hopes that most of the rest of its needs can be met by self-generated funds, which have been running at upwards of $40m a year.

Such ambitious expansion plans lie behind the decision to split MGM into two free-standing quoted companies—a move which was approved by shareholders at the end of May, and has now been put into effect.

Over the 1970s, MGM developed its hotel and gaming interests in Las Vegas and Reno to the extent that, in the 12 months to February, they accounted for two-thirds of group operating income. The hotel side has net assets of $140m, roughly in line with its borrowings, and over the next couple of years is proposing to spend around $300m on extensions and a new hotel casino in Atlantic City.

Mr. Rosenfelt says that MGM saw a period when there would be intense competition for funds between the two main parts of the group. It decided the best way to eliminate this friction would be to split itself into two companies—MGM Grand Hotels and Metro-Goldwyn-Mayer Film—and to let each company make its financing decisions on the basis of its own needs, irrespective of the other's requirements.

An added attraction of such a split was that it underlined MGM's renewed commitment to the motion picture industry. Its increased prominence will, it hopes, enable it to have first bite at new projects and properties which might otherwise have gone to the competition.

Responsibility for selecting and steering the film production programme lies with Mr. Begelman, who has a four-year contract with MGM worth at least $1.9m. He was at one time in charge of Columbia's motion picture division, where he brought out a string of hits such as Close Encounters of the Third Kind. But he left in controversial circumstances and in 1978 pleaded no contest to a charge of grand theft in connection with his employment at Columbia. After a period of probation the case was dismissed last year.

His current programme includes such titles as Tarzan, the Ape Man, Grand Hotel, and Whose Life Is It Anyway. "We live film by film," says Mr. Rosenfelt, reeling off the takings of MGM's big recent success The Champ. "These numbers are like the National Defence Budget to me—and they all add up happy."

INTERNATIONAL BONDS

DM 200m World Bank issue

By Francis Ghilès

THE WORLD BANK has arranged a DM 200m private placement in the foreign D-Mark bond market. The borrower is paying a coupon of 7¾ per cent for an eight-year issue priced at 99¾ per cent to yield 7.79 per cent.

The last bond for this borrower in the foreign D-Mark sector, completed two weeks ago, was a DM 700m public bond issue which offered a yield of 8.11 per cent.

The World Bank has been a prolific borrower of late. Since early June it has arranged Eurobonds worth almost $1.2bn equivalent in the dollar, D-Mark and Swiss franc sectors.

In the secondary D-Mark bond market, prices of seasoned issues firmed slightly on the day. This was also the case in the secondary Swiss franc bond sector.

In the dollar sector, prices of seasoned issues slipped by about ¼ a point on the day, reflecting Monday's fall in the New York bond market. At these lower levels, however, some dealers report some buying interest.

AMERICAN QUARTERLIES

SEKER INDUSTRIES	1980 $	1979 $
Second quarter		
Revenue	57.3m	48.8m
Net profits	5.71m	1.39m
Net per share	0.49	0.12
Six months		
Revenue	120m	97.9m
Net profits	16.53m	21.19m
Net per share	1.42	1.84

GK TECHNOLOGIES	1980 $	1979 $
Second quarter		
Revenue	308.6m	295.1m
Net profits	18.25m	13.58m
Net per share	1.42	1.05
Six months		
Revenue	611.3m	562.3m
Net profits	38.64m	24.22m
Net per share	3.03	1.84

JOHNS-MANVILLE	1980 $	1979 $
Second quarter		
Revenue	566.2m	582.6m
Net profits	56.93m	80.42m
Net per share	0.62	1.25
Six months		
Revenue	1.11bn	1.065bn
Net profits	109m	131.5m
Net per share	1.20	1.90

MILTON BRADLEY	1980 $	1979 $
Second quarter		
Revenue	82.7m	69.4m
Net profits	4.81m	4.45m
Net per share	0.66	0.68
Six months		
Revenue	163.8m	131.1m
Net profits	8.07m	8.35m
Net per share	1.16	1.28

SUN COMPANY	1980 $	1979 $
Second quarter		
Revenue	3bn	2.6bn
Net profits	247m	155.2m
Net per share	1.95	1.33
Six months		
Revenue	6.1bn	4.9bn
Net profits	499.3m	295.1m
Net per share	4.11	2.50

TRANSCANADA PIPELINES	1980 C$	1979 C$
Six months		
Revenue	1.32bn	1.2bn
Net profits	43.96m	41.02m
Net per share	1.06	1.02

UNITED ENERGY RESOURCES	1980 $	1979 $
Second quarter		
Revenue	929.4m	664.4m
Net profits	37.1m	23.2m
Net per share	1.44	0.38
Six months		
Revenue	1.96bn	1.34bn
Net profits	78.9m	49.6m
Net per share	3.05	2.09

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices published on the second Monday of each month.

Closing prices on July 29

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Brit. Oxygen F 10¾ 90	50	90¼	90¾	−1¼	−2¼	12.46
CECA Grad. Rate 12 86	100	98	98½	0	0	11.59
CECA 11⅞ 90	50	96½	97	−3¼	−2¼	12.19
CECA 11½ 88	100	99¼	99⅞	0	−0½	11.66
Citicorp O/S Fin 10 86	300	94½	95	−0⅜	−0⅞	11.25
Con. Illinois O/S 9¾ 86	150	93¾	94¼	−0¼	−0⅜	11.21
Denmark 11¾ 90	100	98¼	98¾	−0⅜	−0⅜	12.00
Dome Petroleum 13½ 92	50	102⅜	102⅞	−0⅜	−0¼	13.05
EEC 11 95	75	95⅜	95⅞	−0⅜	−0⅜	11.62
EIB 11¾ 92	80	96⅝	97⅛	−0⅜	−1	12.24
EIB 13⅞ 90	100	106¼	106¾	−0¼	−0½	12.56
Eksportfinans 11¾ 87	50	99⅛	99⅝	−0½	−0⅜	11.33
Eksportfinans 9½ 87	75	92¼	92⅞	−0½	−0⅜	11.13
Elec. de France 10 88	125	94¾	95¼	−0½	−0⅞	10.97
Export Dv. Cpn. 12⅜ 87	100	105⅞	106⅜	−0½	−0⅜	11.38
Export Dev. Cpn. 9½ 86	150	94⅞	95⅜	−0⅜	−0½	10.69
Federal Dev. Bk. 12⅞ 85	75	103¾	104¼	−0⅛	−0⅜	11.13
Fin. Exp. Credit 10½ 85	50	97	97½	−1½	−1¼	11.25
Finland, Rep. of 9½ 86	100	91¼	91⅞	−0⅜	−0⅜	11.58
Ford O/S Fin. 12¼ 85	250	99⅞	100½	−0½	−0⅜	12.63
George Weston 13½ 87	30	†102½	103	+0⅛	+0⅛	12.85
GMAC O/S Fin. 11 84	100	99¼	99¾	−0½	−0⅜	11.11
GMAC O/S Fin. 13¼ 85	100	105	105½	−0⅜	−0⅜	11.71
Goodyear O/S 12½ 87	75	98¼	98¾	−0½	−1	12.82
Hudson's Bay 11½ 90	75	97¾	98¼	0	−0⅜	11.84
IBM Canada 10½ 85	50	99½	100	−0⅜	0	10.56
ICI Fin. Ned. 11 83	100	100½	100⅞	−0½	−0⅜	10.81
McGraw 13½ 85	75	102	102½	−0⅜	−0⅜	12.80
Norwest Ind. 13⅝ 87	50	100¾	101½	−0⅜	−0⅜	13.38
Nova Scotia 10¾ 90	50	94⅜	94⅞	−0⅜	−0⅜	11.69
OKB 10 85	50	97⅞	98½	−0⅛	−0¼	10.57
Pembroke Capital 9⅝ 87	100	93½	94	−0½	−0½	10.95
Pemex 11⅞ 88	100	97⅜	97⅞	−0⅜	−0¼	12.02
Quebec Hydro 11⅞ 92	100	96½	97	−0⅜	−0¼	12.02
Repsteel O/S 11½ 88	100	92¼	92¾	−1½	−1⅞	13.09
Roylease Ltd 11¾ 85	50	100	100½	−0¼	−0⅜	11.18
SNCF 12¾ 85	50	104¼	104⅞	−0⅜	−0⅜	11.05
Swed. Ex. Cred. 12⅞ 85	40	103¼	103¾	−0⅝	+0⅛	11.47
UB Finance BV 11 90	50	90½	91	−1¾	−2¼	12.68
Unilever NV 9¾ 90	100	90⅞	91½	−0⅞	−0⅞	11.32
World Bank 9⅜ 85	200	95⅞	96½	−0⅜	−0¼	10.89
World Bank 10⅛ 87	300	96⅞	97⅜	−0⅜	−0⅜	10.88
Average price changes... On day −0⅜ on week −0⅜						

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Akzo 9 90	125	†103¼	103¾	−0¼	+0⅛	8.45
Australia 8½ 90	250	102¾	103¼	+0¼	+0⅜	7.68
BFCE 7¾ 87	100	99½	100	+0⅛	−0⅞	7.79
BFCE 8¼ 95	100	100⅞	100¾	+0⅛	+0⅛	8.06
Brazil 8 87	150	93¾	93⅞	−0⅜	−0⅜	9.28
Council of Eur. 7½ 89	100	96¾	96⅞	−0⅛	+1	7.79
Denmark 7½ 86	100	†96¾	99¼	−0⅜	0	8.09
Denmark 8¾ 92	100	†99¼	99¾	0	+0¼	8.31
EEC 7½ 94	225	†99¼	100¼	0	+0⅜	7.85
EIB 7½ 89	200	98⅜	98⅞	−0⅜	+0⅜	7.75
Finland, Rep. of 8 86	150	99½	100	0	+0⅛	8.04
Kobe, City of 7¾ 88	150	96	96½	−0⅛	+0⅞	7.70
Kobe, City of 8 90	100	100⅞	101¼	−0½	+0⅜	7.83
Mt. Bk. Denmark 8¾ 90	150	101	101½	−0⅛	+0⅛	8.31
Norway 7½ 85	250	100	100½	−0⅛	+0⅜	7.41
OKB 7⅞ 89	100	98¼	97	+0⅛	+0⅛	7.86
OKB 8¾ 92	150	101	101½	−0⅛	+0⅜	8.08
Oslo, City of 8⅝ 90	90	102⅞	103⅜	+0⅜	+0⅛	8.25
Sweden 9¾ 87	200	†107½	108	−0⅛	0	8.15
World Bank 7¾ 91	400	99½	100	+0½	+1½	7.78
World Bank 7⅞ 90	250	99⅞	100⅜	0	+0⅞	7.94
World Bank 10 88	150	109½	110	−0¼	+0⅛	7.82
World Bank 10 90	200	112¼	112¾	+0⅜	+0⅜	8.08
Average price changes.. On day 0 on week +0⅜						

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Argentina 5½ 89	80	93¼	93¾	+0⅜	+1¼	6.48
Bergen, City of 4¾ 91	40	95¼	95¾	0	+0⅜	5.32
Bergen, City of 6 90	50	103⅞	104¼	0	+0½	5.44
BNDE 5 89	75	85¼	86¼	+0¼	+0¼	7.17
BMW Overseas 4¾ 91	100	93	93½	0	+0⅜	5.09
Buhrm'n-Tetterode 7 90	40	106½	107	−0½	−0⅜	6.06
Caisse Nat. Tele. 4¾ 89	100	94½	95	−0½	0	5.11
Copenhagen 4½ 91	80	91	91½	0	0	5.57
Council of Eur. 5 89	100	95¼	95¾	−0⅛	−0⅛	5.83
Denmark 5¾ 90	80	100¼	100¾	0	+0½	5.98
EIB 4½ 91	100	92¼	92¾	+0⅛	+1¼	5.43
EIB 4¾ 94	100	88	88½	0	+0⅜	5.60
Elec. de France 4¾ 89	100	95⅜	96⅛	+0⅜	+0½	4.95
F. G. H. Hypo. Bk. 8 90	50	†103¼	103¾	−1⅛	−0⅜	6.53
GZB 4¾ 89	100	92¼	92¾	+0⅛	+0⅞	5.31
Hilti 4¾ 91	35	93½	94	+0⅛	−0⅛	4.89
Int.-Amer. Dev. 4¾ 88	100	92	93¼	+1½	+0⅜	5.56
Int.-Amer. Dev. 7 90	80	106½	107	0	−0¼	6.08
Jutland Tele. 5½ 90	50	100¼	101	0	+0¼	5.39
Malaysia 5 89	80	88½	89	0	0	6.67
Newag 5⅜ 90	80	102¼	102¾	−0¼	+0⅛	6.42
Nippon Tel & T. 4¾ 89	100	94½	95	0	+0⅜	4.97
Nordic Bank 5 89	45	89	89½	−0⅛	−1	5.25
Norges Komm. 4¾ 91	100	92	92½	0	−0⅛	5.31
OKB 4¾ 91	100	91⅞	92¼	−0⅛	−0⅛	5.36
OKB 6 90	100	103	103½	0	−0⅛	5.55
Oslo, City of 4¾ 91	100	90¼	90¾	−0⅜	+0⅜	6.53
Sekisui Pre. Hms 6 90	90	102¼	103¼	−0⅜	+0⅜	5.90
Shikoku El. Pwr 4¾ 89	100	†96⅞	97	+0⅛	+0⅜	5.21
World Bank 4¾ 89	100	96½	97	−0⅛	+2¼	6.08
World Bank 4¾ 89	150	92	92½	−0⅛	+0⅜	5.47
World Bank 4¾ 91	100	92¾	93¼	0	+0⅜	6.47
Average price changes... On day 0 on week +0⅜						

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Australia 5.6 83	30	91⅞	93⅛	0	−0⅞	8.37
Australia 6¾ 88	20	87¾	88¼	0	−0¼	8.72
EIB 7¾ 89	12	95⅜	97⅛	0	0	8.33
Finland 5.6 83	10	91⅞	92½	−0⅜	−0⅛	8.86
Finland 8.8 88	10	88¾	89¼	0	+0⅛	8.90
Finland, Rep. of 8⅛ 87	15	96½	97¼	0	−0⅛	8.87
Average price changes .. On day 0 on week −0⅛						

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Bell Canada 10¾ 86 C$	60	95¼	96	−0⅜	−0⅛	11.74
CIBC 13½ 88 C$	50	102⅞	103⅜	−0⅛	−0⅜	12.56
CIBC 11½ 85 C$	60	97¾	98½	−0½	−0⅛	12.08
Federal Dev. 11½ 90 C$	60	95⅜	96¼	−0⅜	−1	12.21
Fst. Can. Inv. 10 84 C$	50	92⅞	93¼	−0⅛	−1⅛	12.34
GMAC 12 85 C$	50	†98¼	98⅞	−0⅛	−1	12.41
R. Bk. Canada 10 86 C$	40	94	94½	−0½	−0⅛	11.39
Tordom Cpn. 13⅛ 85 C$	30	102¾	103¼	−0⅜	−0⅜	12.58
M Bk. Dnmk. 9 91 EUA	25	93½	94¼	+0⅛	+0⅛	8.87
SOFTE 8¾ 89 EUA	40	88⅞	89⅜	+0⅛	+1	10.25
U. Bk. Nrwy. 9½ 90 EUA	18	98½	99⅛	−0⅛	+0⅛	9.71
Algemene Bk. 8⅛ 84 Fl	75	96⅞	97⅜	+0⅛	+0⅛	9.10
Algemene Bk. 10¼ 87 Fl	400	102	102½	+0⅛	+0⅛	9.79
Bk. Mees & H. 10 85 Fl	75	101¼	101¾	+0⅛	+1⅛	9.64
Heineken NV 10 87 Fl	75	101¼	101¾	+0⅛	+0⅛	9.69
Ned. Gasunie 8¾ 84 Fl	50	100¼	100⅞	−0⅛	+0⅛	8.56
Norway 8¾ 84 Fl	100	96⅞	97⅜	+0⅛	+0⅛	9.09
Philips Lamps 8¾ 84 Fl	75	97⅛	97⅝	+0⅛	+0⅛	8.14
Air France 11 84 FFr	120	86⅞	87⅞	+0⅛	+0⅛	11.98
CECA 14¾ 86 FFr	160	107	108	−0⅛	+0⅛	12.29
Euratom 9¾ 87 FFr	150	85	86	−0½	−0⅛	13.07
Finland 11 84 FFr	80	95¼	96¼	+0⅛	+0⅛	12.28
Finland 11½ 89 FFr	70	93⅞	94⅜	+0⅛	+0⅛	12.64
Gaz de France 11 84 FFr	150	95	96	+0⅛	+0⅛	12.39
IBM France 11½ 84 FFr	120	98	99	+0⅛	+0⅛	12.28
Renault 9¾ 85 FFr	100	87	88	0	+0⅛	13.36
Saint-Gobain 9¾ 86 FFr	130	86⅞	87⅞	−0⅛	+0⅛	13.17
Solvay et Cie 9¾ 87 FFr	125	84⅛	85⅛	0	+0⅛	13.23
Beneficial Fin. 14¾ 90 £	20	102½	102¾	−0⅛	+0⅛	13.77
Citicorp O/S 13½ 90 £	50	101⅞	102⅜	−0⅛	+0⅛	13.08
EIB 11½ 91 £	25	95¼	96	−0⅛	−0⅞	12.24
Fin. for Ind. 12¾ 89 £	30	99⅞	99⅞	−0⅛	+0⅛	12.59
Fin. for Ind. 14¾ 88 £	20	104¾	105¼	−0⅛	+0⅛	13.42
Gen. Elec. Co. 12¾ 89 £	50	99⅞	99⅞	−0⅛	−0⅛	12.56
Swed. Ex. Cr. 15¾ 85 £	20	105⅞	106¼	−0⅛	+0⅛	13.39
Banobras 8¾ 90 KD	7	†95¼	95⅞	0	0	8.93
CCCE 8¾ 91 KD	10	†93¼	94¼	0	0	8.89
Mitsubishi 7½ 94 KD	10	†94¾	95¼	0	+0⅛	9.08
Sonatrach 8½ 90 KD	12	†94¾	95¼	0	0	8.31
Akzo 9⅜ 87 LuxFr	500	95⅜	96⅛	0	+0⅛	10.11
Euratom 8 87 LuxFr	500	89⅜	90⅜	+0⅛	+0⅛	10.06
Euratom 9¾ 88 LuxFr	500	98⅜	99⅜	−0⅛	+0⅛	10.90
EIB 9¾ 88 LuxFr	600	98⅜	99⅜	0	+0⅛	9.95
Volvo 9¾ 87 LuxFr	500	96⅜	97⅛	0	+0⅛	10.38

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Allied Irish Bk. 5¾ 87	0¼	98¼	98¾	2/1	10.44	10.60
Bank of Ireland 5¾ 89	‡0¼	97⅞	98⅛	21/8	11.81	12.05
Bank of Tokyo 5¾ 89	‡0¼	97	97½	25/10	15.56	17.03
Barclays O/S Inv. 5 90	0¼	97⅞	98⅜	13/12	9⅝	9.82
Bergen Bk. A/S 5 89	‡0¼	97	97½	29/8	10	10.28
Bilbao Int. NV 5⅝ 90	0¼	96⅞	97⅞	29/11	10.06	10.36
Citicorp O/S F. 83	$10	99	99½	23/8	10.19	10.26
Citicorp O/S F. 84	‡0	98½	99⅞	30/7	8.89	8.92
C. Itoh 5¾ 87	0¼	99½	100	18/9	18.44	18.49
Co-operative Bk. 8 86	0¼	98¼	98¾	15/11	11.44	11.63
Creditanstalt 5½ 91	$‡0¼	97⅜	97⅞	14/9	9.44	9.89
CNT 5¾ 86	$0¼	100⅛	101⅛	15/10	18⅜	17.95
GZB 5¾ 83	‡0¼	98	98½	1/8	15⅜	15.52
Jugobanka 8 89	0⅞	90⅜	92¼	23/11	11⅜	12.74
Ind. Bank Japan 5¾ 87	0⅛	99⅞	100⅜	15/10	18⅜	18.73
Lloyds Eurofin 8 90 £	0¼	97½	98	3/1	15⅜	16.11
LTCB Japan 5¾ 86	0⅛	89¼	98¼	13/12	9⅝	9.77
LTCB Japan 5½ 89	0⅛	98⅛	98⅝	7/12	10⅛	10.28
Mfrs. Han. O/S 5¾ 94	‡0¼	97⅜	97⅞	31/8	9⅞	10.12
Midland Intl. Fin. 5 89	0⅜	99	99½	20/12	9½	9.57
Midland Intl. Fin. 5¾ 92	0¼	98⅝	98⅞	5/12	10⅞	11.07
Nacional Fin. 6¾ 88	0⅝	97⅞	98⅜	25/1	9.69	8.87
Nat. West. 5¾ 94	$0¼	99⅞	100⅜	11/10	18⅜	18.60
Nippon Credit 5½ 86	0¼	97⅞	98⅜	12/1	9.56	9.80
Nippon Credit 5¾ 87	‡0¼	97¾	98¼	6/8	14⅛	14.67
Royal Bk. Scot. 5¾ 94	$‡0¼	99	99½	11/10	8.31	9.48
Soc. C. de Bque. 5⅞ 87	0¼	100⅛	100⅝	3/10	20.06	19.99
Standard Chart. 5¾ 90	0¼	100⅛	100⅝	6/8	17⅛	17.16
Svenska Hndlsbk. 5 87	0¼	98½	99	15/1	10	10.13
Sweden 5¾ 91	‡0¼	†98⅜	98⅞	18/10	16⅜	16.30
Williams & Glyn 5¾ 91	0⅛	99⅝	100⅛	14/8	18⅜	18.52
Bq. E. d'Alg. 4¾ 89 SF	0⅝	90⅞	91½	18/12	6⅛	6.72
Average price changes... On day 0 on week 0						

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
AGA Aktiebolag 7¾ 89	10/79	145	†126	127	+5	−3.58
Ajinomoto 7¾ 95	2/80	516.5	107¼	108¼	−0⅛	−4.09
Alco Int. Fin. 9¾ 94	1/80	40	†96⅞	97	+0⅛	28.38
Apache I. Fin. 8¾ 95	12/80	21.12	†112	113½	−0⅜	1.36
Asahi Optical 7 94	11/79	626.1	†90	91	+0⅛	−4.16
Blocker Energy 8¾ 95	1/81	21.97	†97¾	98¼	0	19.10
Canon 6⅝ 94	8/79	570	99¼	100⅜	+0⅛	−2.14
Credit Suisse 4¾ 93	10/78	1278	109¼	110¼	−0⅞	−2.40
Daiei Inc. 6¾ 94	11/79	927.3	96⅞	97¼	+0⅛	20.88
OOKK 11 90	4/80	324	†106	107	+0⅛	8.23
Dynalectron 9½ 95	8/80	12.22	†107¼	109	−1⅛	2.70
Enserch Fin. 9¾ 94	7/80	30.25	†127	129	+1	0.82
Meidensha Elec. 7 94	12/79	210	†97	98½	−0⅜	8.97
Mitsubishi Co. 6¾ 94	10/79	549.1	117	118½	+0⅜	0.85
Nippon Seiko 7¾ 94	12/79	339	†104⅞	105½	+0⅛	−1.36
Toshiba Cpn. 7¾ 94	10/79	198	93⅝	94⅛	0	0.16
Union Bk. Switz. 5 89	2/80	121.4	97¼	98¼	−0⅛	4.31
Fujitsu 5 94 DM	7/79	475	101⅞	102⅞	−0⅛	4.71
Kansai Elec. 4 94 DM	4/79	1210	†87	88	−0⅛	41.98
Sharp Cpn. 6¾ 86 DM	9/80	695	100	101	−0⅛	11.93
Uny Co. 6¾ 85 DM	11/79	1071	97¼	98¼	−0⅛	26.74

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn = The current coupon. C.yld = The current yield.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg day = Change on day. Cnv. date = First date for conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

BIS QUARTERLY REPORT

Oil exporters repay their debts

BY PETER MONTAGNON

MEMBERS OF the Organisation of Petroleum Exporting Countries repaid more than $4bn of their debt to international banks as their oil income grew during the first quarter of this year, latest figures from the Bank for International Settlements show.

The development sheds new light on the recycling process this year as the report covers a period when some international banks said they were becoming less aggressive in competing for new OPEC deposits. At the same time many banks were also more cautious in lending to the oil-exporting countries following the political crisis in Iran.

As they repaid their debt, OPEC members also restrained the growth of their deposits in the banking system. These grew by only $9.3bn in the first quarter compared with an increase of $13.4bn in the final quarter of 1979. Only about 30 per cent of the new deposits were denominated in dollars.

A significant portion of the increase in Euromarket liquidity during the period was thus owing to the release of funds previously tied up in loans to OPEC rather than to an increase of banks' liabilities to OPEC resulting from the group's current account payments surplus.

At the end of the period OPEC members' outstanding borrowings from international banks totalled some $59.8bn, while their deposits in the banking system were $129.6bn.

The BIS reports that total international lending activity during the first quarter rose by only $6.5bn to $1,117bn. International bank liabilities grew somewhat faster at $16.8bn to $1,137bn. As usual the figures are based on reports from banks in the Group of Ten industrialised countries together with Austria, Ireland, Denmark, Switzerland, and offshore branches of U.S. banks.

Despite the modest increase in current dollar terms, the underlying rate of expansion in international lending remained strong, the BIS said.

The figures are distorted by the sharp appreciation of the dollar during the period. After adjustment for exchange rate movements and excluding inter-bank business, the true first quarter growth in international lending was probably around $30m, the BIS estimates. This was only $5bn less than the rate of growth during the previous quarter.

There was, however, a marked divergence of lending activity. Lending outside the reporting area slowed significantly, while there was a strong increase in lending within the area, with particular emphasis on borrowings abroad by the German non-bank sector.

This sector took as much as $6bn of the total $26bn lent within the reporting area. By contrast, net new lending outside the reporting area slipped to only about $4bn from $20bn in the previous quarter.

This partly reflects the repayments of OPEC credits, but there was also a pronounced slowdown in new lending to non-oil developing countries and to Comecon. Both these groups drew down deposits with the reporting banks during the quarter.

Another feature of international lending during the first quarter was a preference by borrowers for non-dollar currencies, especially the German Mark and Swiss franc.

Because of the high interest rates prevailing on dollars, nearly 60 per cent of the increase in the reporting banks total external assets was denominated in currencies other than the dollar.

On the supply side of the Euromarkets there was a marked jump in Eurosterling liabilities of the reporting banks. These rose 31 per cent or the equivalent of $4.6bn during the quarter.

But because of the high sterling interest rates banks were unable to onlend all these new funds. Their net debtor position in sterling thus virtually doubled to $7.7bn.

INTERNATIONAL BANK LENDING BY LOCATION

(Outstanding amounts in $bn)

	1979 March	1979 Sept.	1979 Dec.	1980 March
G10 countries and Switzerland, Ireland, Austria and Denmark	457.2	546.7	587.7	599.1
Offshore centres	121.6	147.7	155.6	157.3
Other Western Europe	49.6	56.1	58.7	59.0
Australia, New Zealand and South Africa	13.0	13.9	13.7	12.8
Eastern Europe	47.0	52.8	55.9	53.2
OPEC	55.5	62.5	64.1	59.8
Non-oil LDCs	127.1	146.6	158.8	159.7
Unallocated	12.5	15.2	16.2	16.3
Total	883.5	1,041.5	1,110.7	1,117.2

Source: Bank for International Settlements

Sales rise at Engins Matra

By Our Financial Staff

ENGINS MATRA, French maker of electronic equipment and missiles, has announced sales of FFr 1,156bn ($289m) for the first-half, up 20.6 per cent from a year earlier.

Matra said its profit margins had been maintained. Overall, the company's results and prospects appear to be very favourable."

It had booked FFr 2.5bn of new orders in the first six ... Fr 1.08bn, against FFr 957.6m

Commerzbank sees recovery

BY KEVIN DONE IN FRANKFURT

COMMERZBANK, West Germany's third largest commercial bank, has suffered a further profits setback during the first six months of 1980 with margins remaining under pressure during most of the period.

For the second half of 1980 Commerzbank is rather more optimistic and it is hopeful that the widening interest margin will lead to some recovery in the operating result. This process should be aided by the first signs of a carefully easing of the Bundesbank's hitherto tight monetary policy.

The difficulties facing West German banks in general are also reflected in the Commerzbank'e business volume in the first half of 1980, which fell back slightly to DM 67.6bn at the end of June, compared with DM 68.8bn at the end of 1979.

This decline comes after several years of powerful growth and is further evidence of the German banks' need to pay far more attention to the quality of their new and existing business in the face of falling profitability.

Even overseas Commerzbank has cut back the amount of short-term money dealing carried out by its network of foreign branches—this was expanded to ten in the spring with the opening of a branch in Madrid—although lending to non-bank customers has been further expanded.

The share of the foreign branches' activities in the total business of the parent bank actually declined slightly in the first six months of 1980. The profitability of import-export financing and foreign exchange dealing has further improved in the first half of the year, however.

The business volume of the domestically consolidated Commerzbank group showed a slight rise in the first half of 1980 from the end of 1979 to DM 103bn.

Commerzbank's securities dealings showed strong progress as a result of the turbulence in the markets, and its total commission surplus was up by 12.2 per cent to DM 191.8m in the first half of the year, compared with a six-monthly average for 1979 of DM 170.9m.

The pressure on the interest margin forced the interest earnings surplus into further decline, however, with a fall of 15.4 per cent to DM 459.8m

EUROPEAN OPTIONS EXCHANGE

Series	Oct. Vol.	Oct. Last	Jan. Vol.	Jan. Last	April Vol.	April Last	Stock
ABN C F.300	4	15	—	—	—	—	F.311.50
ABN C F.320	2	3.90	—	—	—	—	"
AKZO C F.22.50	—	—	3	2.80	15	3.30	F.24
AKZO C F.25	64	0.80	16	1.10	—	—	"
AKZO C F.27.50	55	0.30	—	—	—	—	"
AKZO P F.22.50	—	—	19	0.50	—	—	"
AKZO P F.25	4	1.60	—	—	2	2.30	"
AKZO P F.27.50	10	3.50B	—	—	—	—	"
KODA C $60	2	3¾	—	—	—	—	$61⅝
HEIN C F.60	72	5.20	—	—	—	—	F.64.20
HEIN C F.65	35	2.60	3	4.40	—	—	"
HEIN C F.70	6	0.60	—	—	—	—	"
HEIN P F.60	5	1.50	9	2.70	—	—	"
HEN C F.60	8	5.30	—	—	—	—	"
IBM C $65	—	—	—	—	2	6⅛	$65¼
KLM C F.60	11	5.30	—	—	—	—	F.63
KLM C F.70	62	1.40	11	2.40	—	—	"
KLM P F.60	32	3.40	—	—	—	—	"
NAT C F.104.50	10	13.40	—	—	—	—	F.118
NAT C F.109.10	1	8.60	—	—	—	—	"
NATN C F.110	26	8.30	2	10.20	—	—	"
NATN C F.120	2	e.20	—	—	—	—	"
PHIL C F.17.50	64	2.20	—	—	—	—	F.19.40
PHIL C F.20	23	0.60	81	0.90	22	1.10	"
PHIL C F.22.50	130	0.20	—	—	—	—	"
PHIL P F.20	—	—	—	—	7	2.10	"
POLA C $25	4	4⅛	—	—	—	—	$28¼
POLA C $30	—	—	6	2⅞	—	—	"
OLIE C F.140	10	33	—	—	—	—	F.172.60
OLIE C F.150	113	23A	10	24.50	—	—	"
OLIE C F.160	80	13.60A	—	—	—	—	"
OLIE C F.170	98	e	49	7.80	—	—	"
OLIE C F.180	82	2.10	32	3.60	12	4.90	"
OLIE P F.145	21	0.50	—	—	—	—	"
OLIE P F.150	20	0.60	39	1.20	—	—	"
OLIE P F.160	44	2.20	12	3.70	—	—	"
OLIE P F.170	65	e.60	41	7.70	—	—	"
UNIL C F.110	20	14.50	—	—	—	—	F.123.50
UNIL C F.115	8	9.50	—	—	—	—	"
UNIL C F.120	158	5.50	—	—	—	—	"
UNIL P F.110	—	—	10	1.50	—	—	"
UNIL P F.115	50	0.70	—	—	—	—	"
UNIL P F.120	30	2	—	—	—	—	"
	Aug.		Nov.		Feb.		
BOEI C $40	2	¾	2	3	—	—	$38
SIEM C DM.280	—	—	—	—	e	13	DM282.40
SIEM C DM.300	—	—	5	2.50	—	—	"
SLUM C $110	10	21⅛	—	—	—	—	$131⅝
SLUM C $120	—	—	e	15	—	—	"
SLUM C $130	—	—	9	7½	—	—	"

TOTAL VOLUME IN CONTRACTS 1860

C=Call P=Put

Manufrance to receive further State cash

BY DAVID WHITE IN PARIS

THE FRENCH Government has made it clear it is prepared to put up further funds to help Manufrance, the floundering business based at Saint-Etienne, near Lyons, back on to its feet.

The offer, pegged to a thorough restructuring programme and fresh money from shareholders, came as the latest in a series of "last resorts" after the author of the most recent rescue bid, M. Bernard Tapie, the Parisian entrepreneur, withdrew from the scene.

M. Tapie's backdown came just five days after he had presented a plan which would have split up Manufrance's different activities. The company would have been left with its firearms business, its sporting magazine, and its sewing machine production. Its mail-order and bicycle interests would have come under the control of specialised groups and its shops would have been sold.

But shareholders made no move to discuss the plan, and M. Tapie "disengaged" himself. The idea of dismantling the company, which at present employs 1,900 people, is strongly opposed by Communist trade unionists and by the Communist-controlled local authorities.

The Government has already pumped some FFr 30m ($7.5m) into the company—in two stages.

Its latest offer is made on condition that measures are taken to pull the company back into profit. It also requires a similar gesture from MACIF, the mutual insurance group which took part in a reorganisation in May last year and which has emerged as the dominant shareholder in the re-launched company.

MATSUSHITA

Fast pace in overseas sales rise

BY CHARLES SMITH, FAR EAST EDITOR, IN TOKYO

MATSUSHITA Electric Industrial Company, Japan's largest consumer electric appliances manufacturer, has reported a 24 per cent increase in its consolidated sales to Y1,370bn ($6bn) for the six months ended May 20, largely as a result of sales abroad. Net profits were up 32 per cent, to Y58bn ($2.55m), while operating profits rose 30 per cent to Y149.9bn.

Matsushita's good results reflect sharp increases in sales of video tape recorders, television sets and audio equipment (up 30 per cent to Y620bn). The company publishes no figures for video tape recorders alone but it appears that sales of the VHS system video tape recorder pioneered by the Matsushita affiliate, Victor Company of Japan—and manufactured by both Victor and Matsushita—rose particularly fast.

Victor, in which Matsushita has a 50.4 per cent equity stake, is included in Matsuhita's consolidated results along with 121 other manufacturing and sales affiliates.

The success of the consumer electronics division (TVs and VTR) put all other Matsushita divisions in the shade during the six months to May 20. However, sales of other items also rose by substantial margins. Home appliances (washing machines, microwave ovens and so on) were up 16 per cent to Y359.9bn while communications and measuring equipment recorded a 27 per cent gain at Y83.6bn.

Three other divisions—industrial equipment, lighting and semiconductors, and batteries—recorded sales increases ranging from 16 per cent to 26 per cent, and accounted collectivaly for nearly Y175bn of sales.

Matsushita's overall 24 per cent sales increase conceals a much sharper rise in overseas sales (both exports and sales of products manufactured outside Japan). These rose by 50 per cent to Y506.5bn. Domestic sales rose by a more modest 12 per cent to Y863.7bn.

The VTR boom in the U.S., western Europe and most recently the Middle East undoubtedly helped to boost exports. Yen depreciation made exports unexpectedly profitable, since the company had budgeted for an exchange rate of Y220 to the dollar appreciably above the actual exchange rate.

Matsushita's consolidated results at present cover only four out of 39 overseas manufacturing affiliates — in the U.S., Taiwan, Malaysia and Singapore. Other major overseas ventures, including the Matsushita factory in South Wales, are yet to be included in the results.

On the strength of its good half year, Matsushita has revised its consolidated sales forecast for the year from Y2,600bn to Y2,800bn. Net profits are expected to [illegible] against the Y110bn previously forecast. Consolidated sales in 1978-79 were Y2,363bn, and net profits Y98.3bn.

TOKYO — Honda Motor Company is to make a one-for-ten scrip issue of Y50 par value shares, to shareholders as of August 31. The company's capital after the issue will be Y36.38bn, against the present Y33.07bn.
Reuter.

Nippon Kokan steps up gain at group level

By Our Financial Staff

NIPPON KOKAN, the second largest Japanese steelmaker, increased its consolidated net income by 165 per cent in the year to March 31, to Y26.25bn ($117m), from Y9.92bn in 1978-79. This shows a somewhat faster rate of growth in net income than that at parent company level, of 144 per cent to Y25.1bn, announced in May.

Consolidated sales were up 13.3 per cent to Y1,360bn ($6.1bn), from Y1,200bn, broadly matching the rate of increase on a parent company basis of Y1,310bn.

● Kawasaki Heavy Industries, the integrated heavy machinery maker and shipbuilder, returned to net profit on a consolidated basis in the year, with earnings of Y324m ($1.4m), compared with the previous year's loss of Y8.74bn. Sales rose 6.8 per cent to Y615.63bn ($2.7bn), from Y576.21bn. In May, the company announced a net profit of Y2.8bn for the parent company alone, compared with a loss of Y5.9bn in 1978-79, on flat sales of Y501.5bn.

● Marubeni Corporation, the Japanese trading house, has reported a consolidated net profit of Y17.24bn ($77m) for the year to March 31, compared with a net deficit of Y3.77bn in 1978-79. Sales showed a gain of 38.7 per cent to Y8,740bn ($39bn), from Y6,300bn. The consolidated profit is some 80 per cent higher than that at parent company level, of Y9.56bn, announced earlier, and shows a more marked improvement—the parent alone having achieved net profits of Y4.41bn in 1978-79. Parent company sales were Y8.39bn, up 33.8 per cent.

● Mitsui Toatsu Chemicals more than trebled its consolidated net profit in the year to March 31, to Y13.18bn ($58m), from Y4.13bn the previous year. Sales rose 36.3 per cent to Y580.53bn ($2.6bn), from Y425.97bn. These results follow those of the parent company, which increased its net profit eight times, to Y9.06bn from Y1.13bn, on sales up 33.2 per cent to Y405.87bn.

● Konishiroku Photo Industry, Japan's second largest producer of photosensitive materials, has reported a fall of 26.1 per cent, to Y4.83bn ($21.3m) in consolidated net profits for the year to April 20, from Y6.54bn the year before. Sales, however, were up 25.6 per cent, to Y227.9bn

SAAN makes strong recovery

BY JIM JONES IN JOHANNESBURG

A STRONG RECOVERY has been made by South African Associated Newspapers, the publisher of the Rand Daily Mail, Financial Mail, Cape Times and Sunday Times, from last year's first-half profit setback. The company's operating profit for the six months to June 30 was R3.02m ($4m), against R611,000 in the first half of last year. For the whole of 1979, the operating profit was R4.51m.

The main contribution to the advance, the management says, came from higher advertising revenue. Despite competition from television, the volume of Press advertising has not been higher for many years. However, there were some drawbacks. Operating costs are substantially higher than in 1979, particularly for newsprint, salaries and wages. This was offset to an extent by higher cover prices for the group's publications.

The management does not go into details on individual publications, except to report that the profit contribution from the Financial Mail was well above that made in 1979. The Rand Daily Mail, which has been a loss-maker for some years, is seeking to improve its performance by a further cover price rise.

Mr. Clive Kinsley, the managing director, cautions that the volume of colour advertisements, particularly in the Sunday Times, is limited by available press capacity. In addition, newsprint prices will be substantially higher from this month, while labour costs affecting all sides of production and distribution continue to escalate.

On this basis, the management expects the current six months' results approximately to equal those of the second half of 1979.

An interim dividend of 20 cents has been declared, compared with 8 cents in 1979, from first-half earnings per share of 100 cents, against 24 cents. Earnings totalled 149 cents per share in 1979, and a total dividend of 45 cents was declared.

Keppel plans share offer

SINGAPORE—Keppel Shipyard said it will offer shares to the public soon. An announcement on the timing and size of the issue is expected to be made before the end of the year.

Keppel is working out details of the proposed issue with its merchant bankers, The Development Bank of Singapore.

According to Stock Exchange rules a company must offer at least 25 per cent of its paid-up capital to the public to seek a listing on the exchange.

Keppel recently increased its paid-up capital to S$70m (US$33m) through a rights issue of 10m shares of S$1 nominal value at S$3 each.

The company said the funds to be raised from the proposed public issue will be used to meet large capital commitments in the next few years.

Last December, Keppel began construction of the second phase of its Tuas shipyard expansion plan, which involves a 330,000 dwt drydock and associated facilities costing about S$100m. The project is expected to be completed by early 1982.

The first phase of the complex, costing about S$90m, was completed in early 1977.

Keppel is a wholly-owned subsidiary of Temasek Holding, an investment holding company of the Government. For the 1979 financial year, Keppel made a group pre-tax profit of S$42.3m (US$20m), against S$6.2m in 1978, and paid an unchanged dividend of 15 per cent.
Reuter

Gammon House sale talks

By Philip Bowring in Hong Kong

MAI HON ENTERPRISES yesterday announced that it was in an advanced stage of discussion to sell Gammon House, a central district office block, for U.S.$316m, (HK$1.54bn). Mai Hon acquired the building earlier this month in an HK$1bn deal with its parent group.

Carrian bought Gammon House for HK$998m from the Hongkong Land Company in January. Hongkong Land had in turn acquired it from Jardine Matheson in late-1978 for HK$715m. Hongkong Land sold the building because the interest cost of the money borrowed to acquire it was more than double the rental income.

Price increases boost Malayan Cement

BY WONG SULONG IN KUALA LUMPUR

MALAYAN Cement Berhad, Malaysia's largest cement manufacturer, has improved on its performance of the past few years, reporting a 66 per cent rise in earnings for the six months to May.

Pre-tax profits rose to 9.6m ringgit (US$4.5m), from 5.8m ringgit previously, reflecting largely the benefits arising from the 30 per cent increase in cement prices approved by the Government last August.

Malayan Cement, and other cement manufacturers, have complained bitterly in the past of the fixed price for cement being the main cause of their poor earnings.

Higher tax meant that interim net profits were 37 per cent better, at 4.8m ringgit. The interim dividend is 11 per cent, against 10 per cent previously.

* * *

BERJAYA KAWAT, the Malaysian wire rope and steel products manufacturer, has reported a 41 per cent rise in pre-tax profit, on the strength of local and overseas demand, particularly in the Malaysian construction and logging industries.

Pre-tax profit for the company rose to 5.3m ringgit ([illegible]), in the year ended April, from 3.7m ringgit the previous year. In addition the share of profit from its associate, BRC-Berjaya Kawat, doubled to 390,000 ringgit.

However because of deferred taxation, the tax charge is doubled, at 3m ringgit, so that net profit amounted to 2.6m ringgit, or 8 per cent higher

Companies and Markets

CURRENCIES, MONEY and GOLD

$ stays firm

The dollar continued to improve in quite active foreign exchange trading yesterday. It finished near the best level of the day against most major currencies following the further rise in Eurodollar interest rates, and signs of a tightening of U.S. money market rates by the Federal Reserve. The U.S. currency rose to DM 1.7590 from DM 1.7440 against the D-mark, and to SwFr 1.6230 from SwFr 1.6080, in terms of the Swiss franc, but eased slightly to Y226.80 from Y227.25 against the Japanese yen. The dollar's index, as calculated by the Bank of England, rose to 84.1 from 83.9.

Sterling also lost ground against the dollar, but recovered most of its early losses against currencies in general, with the pound's index, on Bank of England figures, closing at 75.1, compared with 75.2 on Monday, after falling to 75.0 at noon and 74.9 in the morning. Sterling opened at $2.3765-2.3775, and fell to $2.3685-2.3695 on the dollar's strength and fears of a cut in Minimum Lending Rate this week. It touched $2.3800-2.3810 later in the day, and closed at $2.3700-2.3710, a fall of 1.60 cents on the day.

D-MARK — Slightly weaker within the European Monetary System recently, but showing a firmer tendency against the dollar following a sharp narrowing of interest rate differentials — The D-mark continued to decline against most currencies at the Frankfurt fixing, with the U.S. dollar particularly strong. Demand for the dollar at the end of the month, coupled with higher Eurodollar interest rates and suggestions that U.S. rates may be driven up by Federal borrowing to fund a growing budget deficit all contributed to the firmer fixing level of DM 1.7514, compared with DM 1.7391 on Monday. There was no indication of intervention by the Bundesbank at the fixing or on the open market. Sterling also improved, to DM 4.1640 from DM 4.1610, and the Swiss franc to DM 1.0870 from DM 1.0862. Most EMS currencies advanced against the D-mark, with the French franc rising to DM 43.12 per 100 francs from DM 43.09.

ITALIAN LIRA—Still the weakest currency within the EMS, but showing a steadier tendency following the early July support package—The lira maintained its recent improvement in Milan yesterday, influenced by the tight monetary policy of the Bank of Italy and the seasonal inflow of funds from foreign tourists. The spectre of a devaluation of the lira in the next few months continues to undermine market confidence, which has already suffered a severe setback due to Italy's worsening balance of payments position. The 1.1 per cent monthly rise in wholesale prices during June, to give an annual rise of 21.4 per cent, came as no surprise, and trading remained calm. The dollar was the only currency to rise significantly, when it was fixed at L830.05 compared with L825.85 previously. The D-mark was little changed, but other members of the EMS weakened against the lira, including the top placed French franc.

JAPANESE YEN—Showing weaker trend again after marked recovery on the downward trend in U.S. interest rates. Last year fears about energy supplies and balance of payments problems severely depressed the currency —The yen improved slightly against the dollar in Tokyo, continuing to move in the opposite direction to most other major currencies against the U.S. unit. The dollar eased to Y226.60 from Y226.75, after opening at Y227.60. It touched a low of Y226.50, after an initial firmness following the rise in Eurodollar rates.

THE POUND SPOT AND FORWARD

July 29	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	2.3685-2.3810	2.3700-2.3716	1.45-1.35c pm	7.09	3.53-3.43 pm	5.87
Canada	2.7560-2.7750	2.7570-2.7580	1.55-1.45c pm	6.53	3.52-3.42 pm	5.03
Nethlnd	4.53-4.56	4.54¼-4.55¼	3¼-2¼c pm	6.93	7½-6½ pm	6.05
Belgium	66.25-66.70	66.55-66.65	20-10c pm	2.70	47-37 pm	2.52
Denmark	12.84-12.91	12.88-12.89	½-2½ore dis	−1.22	8-9½ dis	−2.72
Ireland	1.1055-1.1116	1.1100-1.1110	0.07-0.02p pm	0.49	0.30-0.25 pm	0.99
W. Ger.	4.15-4.18	4.16½-4.17½	3⅛-2⅛pf pm	7.55	7¾-6¾ pm	6.95
Portugal	116.70-117.60	116.25-116.45	5c pm-25 dis	−1.03	30-85 dis	−2.15
Spain	168.25-169.16	168.90-169.00	57-108c dis	−5.88	250-338 dis	−6.96
Italy	1,965-1,977	1,966½-1,967½	11½-14½lire dis	−7.93	42-45 dis	−8.84
Norway	11.45-11.61	11.46½-11.47½	7-5½ore pm	6.60	16¾-14⅞ pm	5.43
France	9.62-9.68	9.65¼-9.66¼	4½-3¼c pm	5.28	9¾-8¾ pm	3.63
Sweden	9.78-9.84	9.78¼-9.79¼	1⅞-1ore pm	1.76	2⅞-1⅞ pm	0.84
Japan	535-540	537¼-538¼	1.75-1.40y pm	3.51	4.15-3.70 pm	2.92
Austria	29.40-29.60	29.47-29.52	14-12gro pm	5.29	33½-28½ pm	4.20
Switz.	3.82-3.88	3.84½-3.85½	3½-2½c pm	10.52	10-9 pm	9.87

Belgian rate is for convertible francs. Financial franc 66.65-66.75. Six-month forward dollar 5.08-4.95c pm. 12-month 7.00-6.90c pm.

THE DOLLAR SPOT AND FORWARD

July 29	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	2.3685-2.3816	2.3700-2.3716	1.45-1.35c pm	7.09	3.53-3.43 pm	5.87
Ireland†	2.1350-2.1440	2.1350-2.1370	1.45-1.35c pm	7.86	3.80-3.70 pm	7.61
Canada	1.1626-1.1682	1.1659-1.1662	0.08-0.12c dis	−1.08	0.32-0.36dis	−1.17
Nethlnd.	1.9108-1.9180	1.9150-1.9160	0.05c pm-par	0.16	0.05pm-par	0.05
Belgium	27.94½-28.11	28.09-28.11	7½-9c dis	−3.53	23-26 dis	−3.49
Denmark	5.4190-5.4305	5.4290-5.4305	3½-4ore dis	−8.29	12-12½ dis	−9.02
W. Ger.	1.7495-1.7595	1.7585-1.7595	0.13-0.09pf pm	0.75	0.48-0.43 pm	1.03
Portugal	48.90-49.15	49.00-49.10	20-38c dis	−7.09	80-110 dis	−6.93
Spain	71.05-71.28	71.23-71.28	75-95c dis	−14.31	215-245dis	−12.81
Italy	829.85-830.70	829.90-830.20	8-9lire dis	−12.29	26-28 dis	−13.61
Norway	4.8308-4.8385	4.8365-4.8380	.20ore pm-.30dis	−0.12	6.30-0.80dis	−6.45
France	4.0625-4.0760	4.0745-4.0760	0.55-0.65c dis	−1.77	1.90-2.05dis	−1.94
Sweden	4.1250-4.1380	4.1280-4.1300	1.65-1.70ore dis	−4.72	6.00-6.15dis	−4.92
Japan	225.50-226.90	226.75-226.85	0.60-0.75y dis	−3.57	1.80-1.95dis	−3.31
Austria	12.40¾-12.44¾	12.43¾-12.44¾	1.10-1.70gro dis	−1.35	3.75-5.50dis	−1.49
Switz.	1.6080-1.6250	1.6225-1.6235	0.63-0.58c pm	4.47	1.77-1.72 pm	4.30

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

CURRENCY RATES

July 28	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	16	0.555286	0.605986
U.S. $	11	1.52848	1.44835
Canadian $	10.18	1.64545	1.67848
Austria Sch	6¾	16.5883	17.8654
Belgium F	15	56.6821	40.2597
Danish K	15	7.14729	7.76556
D'mark	7½	2.31038	2.51946
Guilder	8	2.92618	2.75560
French Fr	9½	5.36578	5.84771
Lira	16	1687.67	1186.06
Yen	8	301.169	328.703
Norwgn. Kr.	8	9.38759	6.25631
Spanish Pts.	8	94.0568	108.645
Swedish Kr.	10	5.46008	5.85925
Swiss Fr.	5	2.18681	2.51996

CURRENCY MOVEMENTS

July 28	Bank of England Index	Morgan Guaranty Changes %
Sterling	75.1	−31.4
U.S. dollar	84.1	−8.5
Canadian dollar	80.8	−17.1
Austrian schilling	158.2	+26.1
Belgian franc	116.5	+14.6
Danish kroner	108.1	−3.6
Deutsche mark	156.8	+44.2
Swiss franc	800.0	+79.5
Guilder	136.4	+20.5
French franc	109.4	−5.2
Lira	63.6	−51.0
Yen	124.9	+23.0

Based on trade weighted changes from Washington agreement December, 1971 (Bank of England Index=100).

OTHER CURRENCIES

July 28	£	$		£ Note Rates
Argentina Peso	4451-4471	1877-1884	Austria	29.55-29.86
Australia Dollar	2.0606-2.0645	0.8650-0.8655	Belgium	66.45-67.05
Brazil Cruzeiro	127.19-128.19	53.68-53.88	Denmark	12.85-12.95
Finland Markka	8.56-8.58	3.6170-3.6180	France	9.60½-9.66½
Greek Drachma	101.763-104.852	42.76-42.90	Germany	4.15-4.19
Hong Kong Dollar	11.68½-11.70¼	4.9260-4.9280	Italy	1950-2010
Iran Rial	n a	n a	Japan	536-541
Kuwait Dinar(KD)	0.651-0.657	0.2673-0.2674	Netherlands	4.52½-4.55½
Luxembourg Frc.	66.56-66.65	28.09-28.11	Norway	11.45-11.52
Malaysia Dollar	5.0915-5.1055	2.1460-2.1490	Portugal	113-115
New Zealand Dlr.	2.4125-2.4176	1.0175-1.0185	Spain	163½-170¼
Saudi Arab. Riyal	7.84-7.90	3.3185-3.3210	Sweden	9.77-9.85
Singapore Dollar	5.0240-5.0560	2.1180-2.1200	Switzerland	3.82-3.84½
Sth. African Rand	1.8060-1.8066	0.7616-0.7620	United States	2.367-2.377
U.A.E. Dirham	8.71-8.77	3.6875-3.6890	Yugoslavia	63¼-69

Rate given for Argentina is free rate.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU July 29	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	39.7897	40.2770	+1.22	+0.39	±1.53
Danish Krone	7.72336	7.80019	+0.99	+6.16	±1.64
German D-Mark	2.48208	2.52122	+1.58	+0.75	±1.125
French Franc	5.84700	5.84547	−6.03	−0.86	±1.3557
Dutch Guilder	2.74362	2.76195	+6.30	−0.53	±1.512
Irish Punt	0.668201	0.671786	+6.54	−6.29	±1.668
Italian Lira	1157.79	1193.39	+3.07	+2.47	±4.08

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

July 29	Pound Sterling	U.S. Dollar	Deutschem'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild'	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	2.371	4.173	537.9	9.658	3.850	4.548	1967.	2.758	66.60
U.S. Dollar	0.422	1.	1.760	226.8	4.074	1.624	1.918	829.8	1.163	28.10
Deutschemark	0.240	0.568	1.	128.9	2.319	0.923	1.090	471.4	0.661	15.95
Japanese Yen 1,000	1.860	4.408	7.759	1000.	17.99	7.159	8.457	3658.	5.129	123.8
French Franc 10	1.035	2.455	4.320	556.8	10.	3.987	4.709	2037.	2.855	68.96
Swiss Franc	0.260	0.616	1.084	139.7	2.509	1.	1.181	510.8	0.716	17.30
Dutch Guilder	0.220	0.521	0.918	118.5	2.124	0.847	1.	432.9	0.606	14.65
Italian Lira, 1,000	0.509	1.205	2.121	273.4	4.910	1.957	2.312	1000.	1.402	35.86
Canadian Dollar	0.363	0.860	1.513	195.0	3.502	1.396	1.649	713.3	1.	24.15
Belgian Franc 100	1.502	3.559	6.265	807.4	14.50	5.781	6.828	2953.	4.140	100.

FT LONDON INTERBANK FIXING (11.00 a.m. JULY 29)

3 month U.S. dollars		6 month U.S. dollars	
bid 9 5/8	offer 9 3/4	bid 9 13/16	offer 9 15/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris, and Morgan Guaranty Trust.

EURO-CURRENCY INTEREST RATES (Market Closing Rates)

July 29	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Asian $	Japanese Yen
Short term	—	8⅞-9⅛	9-11	9⅞-10⅛	2¾-3	8⅞-9⅛	11⅝-11⅞	25-50	9⅞-8	23-26
7 days' notice	19¼-18¾	9-9¼	9-11	9⅞-10⅛	7¾-8¼	8-9⅛	11⅝-11⅞	40-50	9-9⅛	15½-14
Month	17⅛-17⅜	9⅛-9⅜	10⅝-11	9⅝-9⅞	5⅛-5⅜	8⅝-9	11⅝-11⅞	24¾-26¾	9⅛-9⅜	15-15¼
Three months	15¾-16	9⅝-9⅞	10⅝-11	9½-9¾	6⅜-6⅝	8⅞-9⅛	11⅝-11⅞	23½-25	9⅝-9¾	12⅝-13⅝
Six months	14½-14¾	9¾-10	10⅝-11	9¼-9¾	5⅛-5⅜	8⅝-8⅞	11⅝-11⅞	23¼-24¾	9⅛-9⅜	11⅝-11⅝
One Year	13⅝-15⅝	9⅞-10⅛	10⅝-11	9½-9¾	5⅛-5⅜	7¾-8	11⅞-12⅛	20½-22	10-10⅛	6⅞-10⅛

Long-term Eurodollar two years 10½-10¾ per cent; three years 10¾-11 per cent; four years 11-11¼ per cent; five years 11¼-11½ per cent; nominal closing rate. Short-term rates are call for sterling, U.S. dollars, Canadian dollars and Japanese yen; others two-days' notice. Asian rates are closing rates in Singapore.

The following nominal rates were quoted for London dollar certificates of deposit: one-month 8.95-9.05 per cent; three-months 9.10-9.20 per cent; six-months 9.20-9.30 per cent; one year 9.40-9.50 per cent.

INTERNATIONAL MONEY MARKET

Rates ease further

Interest rates continued to decline in Europe yesterday, with one and two month Belgian Treasury bill rates being cut to 13 per cent, having previously stood at 13.50 per cent and 13.25 per cent respectively. The rate on four-month bond fund paper was also reduced to 13 per cent from 13.1 per cent.

In Amsterdam interbank rates continued to fall, with call money as low as 9¾ per cent, below the central bank's official money market intervention rate of 10 per cent. This gave rise to speculation that the authorities may reduce key lending rates before too long, especially since the Dutch guilder is very strong at the moment against the major governing currency, the D-mark. On the other hand the Dutch discount rate was cut less than two weeks ago from 9½ per cent, and the authorities may wish to wait and see how the West Germans react after the summer recess.

Money market conditions have been eased considerably as a result of D-mark support given by the Dutch authorities.

In Frankfurt call money was quoted at 9.50-9.60 per cent, unchanged from Monday, while longer term rates showed an easier tendency.

In Paris call money rose to 11⅜ per cent from its previous five month low touched on Monday and last Thursday of 11⅛ per cent. Period rates were mostly unchanged.

MONEY RATES

NEW YORK	
Prime Rate	10¾-11½
Fed. Funds	9¼-9½
Treasury Bills (13-week)	8.22
Treasury Bills (26-week)	9.32
GERMANY	
Discount Rate	7.5
Overnight Rate	9.55
One month	9.40
Three months	9.125
Six months	9.60
FRANCE	
Discount Rate	9.5
Overnight Rate	11.75
One month	11.625
Three months	11.625
Six months	11.4375
JAPAN	
Discount Rate	9.0
Call (Unconditional)	12.8125
Bills Discount (three-month)	12.6875

UK MONEY MARKET

Continued shortage

Bank of England Minimum Lending Rate 16 per cent

Day-to-day credit remained in short supply in the London money market yesterday, with the principal factor working against the market, being the repayment of Monday's exceptionally large lending. This prompted the authorities to give assistance on an exceptionally large scale once again, by buying a small number of Treasury bills and local authority bills, both from banks and discount houses, and moderate purchases of eligible bank bills, all for resale at future dates.

In the market's favour there was a small excess of Government disbursements over revenue transfers to the Exchequer.

In the interbank market, the general shortage of funds was reflected in overnight money rates which opened at 22-25 per cent. Rates eased to 18-20 per cent but rose once again after the forecast to 23-25 per cent. After coming off slightly just after lunch, rates fell quite sharply around 2.30 pm to 15-16 per cent, with closing balances taken at 16-16½ per cent.

GOLD

Firmer trend

Gold rose $4 to $647-650 in the London bullion market yesterday. Trading was very quiet with no new features to influence the market. The metal opened at $646-649 and was fixed at $645.50 in the morning and $646.75 in the afternoon. It touched a peak of $649-651 in the morning, and showed a slightly firmer trend once again in New York after the London close.

In Paris the 12½ kilo gold bar was fixed at FFr 84,500 per kilo ($646.79 per ounce) in the afternoon, compared with FFr 84,500 ($646.55) in the morning, and FFr 83,400 ($642.48) Monday afternoon.

In Frankfurt the 12½ kilo bar was fixed at DM 36,425 per kilo ($646.97 per ounce), compared with DM 36,070 ($644.97) previously, and finished at $645-648 against $643-645 on Monday.

In Zurich gold closed at $646-$649, compared with $642-645 previously.

	July 29		July 28	
Gold Bullion (fine ounce)				
Close	$647-650	(£272½-274)	$643-646	(£269½-271)
Opening	$646-649	(£272¼-275¾)	$644-647	(£268¾-270¼)
Morning fixing	$645.50	(£271.586)	$643.25	(£268.685)
Afternoon fixing	$646.75	(£272.373)	$643.60	(£269.416)
Gold Coins				
Krugerrand	$666-671	(£282-284)	$665-667	(£278½-280½)
Mapleleaf	$665-667	(£278-282)	$660-663	(£276-278)
New Sovereigns	$164¼-165¾	(£69-70)	$165½-164½	(£68¼-69½)
King Sovs	$188-190	(£79¼-80¼)	$188-190	(£79½-79½)
Victoria Sovs	$188-190	(£79¼-80¼)	$188-190	(£78¼-79¼)
French 20s	$164-167		$165¾-188¾	
50 pesos Mexico	$797-801		$797-802	
100 Cor. Austria	$631-639		$634½-639½	
$20 Eagles	$768-776		$759-763	
$10 Eagles	—		—	
$5 Eagles	—		—	

LONDON MONEY RATES

July 29 1980	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposits	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	15-25	—	—	—	—	14½-16	—	—	—
2 days notice	—	—	16¾-17¾	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	18½-18¾	16¾-17¾	—	18½	18-19	18	—	—	—
One month	16⅞-16⅝	17-17⅛	16½-16⅞	17-17⅛	17⅜	17-17⅜	15⅝	14⅞-14⅝	16¼-15⅝	16⅝
Two months	16¼-16	16⅞-16⅝	—	16¾-16¼	15⅝	—	16⅛	14⅝-14⅜	15⅞-15¾	16⅛
Three months	15⅝-15⅞	15⅞-15⅜	15½-15¾	16⅛-15⅝	16⅛	15-15½	14¾	14½-14⅜	14⅞	15¾
Six months	14⅝-14¼	14½-14⅝	14⅝-14⅝	13¾-14	14⅞	14⅛	—	—	13⅝-13⅞	14
Nine months	13¾-13½	13¾-13⅞	—	13⅝-14	14	14⅛	—	—	—	—
One Year	13⅛-13	13⅝-15⅛	13½-15⅜	13½-13⅝	13⅝	14⅝	—	—	—	—
Two years	—	—	13-13¼	—	—	—	—	—	—	—

Local authority and finance houses seven days' notice, others seven days' fixed. ♦Long-term local authority mortgage rate nominally three years 13-13½ per cent; four years 12⅞-13⅛ per cent; five years 12⅞-13⅛ per cent. ♦Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 14⅝ per cent; four-month trade bills 15⅝ per cent.

Approximate selling rate for one-month Treasury bills 14¹⁵⁄₃₂-14²⁵⁄₃₂ per cent; two-months 14²³⁄₃₂ per cent; three-months 14⅝-14⁹⁄₁₆ per cent. Approximate selling rate for one-month bank bills 16⅜-16½ per cent; two-months 15⁹⁄₃₂ per cent; three-months 14¹¹⁄₁₆ per cent; one-month trade bills 16¾ per cent; two-months 16⅛ per cent and three-months 15½ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 17 per cent from July 1, 1980. Clearing Bank Deposit Rates for sums at seven days' notice 14 per cent. Clearing Bank Rates for lending 16 per cent. Treasury Bills: Average tender rates of discount 14.4383 per cent.

CONTRACTS AND TENDERS

COMPANY NOTICES

RESIDENTIAL PROPERTY

Dow shade up at mid-session

AFTER MOVING modestly higher at the outs2t yesterday, Wall Street slipped back in heavy early dealings, but was still slightly above Monday's clos2 at mid-session.

The Dow Jones Industrial Average, up 2.39 at the 10.30 am calculation, registered a marginal net gain of 0.34 at 925.77 at 1 pm. The NYSE All Common Index was 8 cents firmer on balance at $69.51, after reaching $69.92, while advancing issues retained a small lead over declines at mid-session. Trading volume increased to 30.86m shares from the 24.73m recorded at 1 pm on Monday.

The market apparently has little incentive to go up or down, analysts commented. Some analysts said the market may be in the last phase of a major upward move, but could get new life if June leading economic indicators, to be released today, confirm forecasts that the current recession will be short.

Some Glamour issues showed that good gains on Monday were little changed. Eastman Kodak lost ⅜ at $61⅝, Honeywell were unchanged at $90⅞ and Three M were off ¼ at $55⅞.

Major Oils again were among the most active issues. Mobil receded $1 to $77½ but Atlantic Richfield put on ⅜ to $46¼. Phillips Petroleum fell $2 to $44⅞ on reporting flat second-quart2r earnings.

Lockheed, which announced a second-quarter loss, shed ⅜ to $30¼.

THE AMERICAN SE Market Value Index was a net 0.57 firmer at 315.53 at 1 pm. Volume 3.46m shares.

Canada

Markets were showing some recovery yesterday, with the Toronto Composite Index recording an advance of 11.9 at 2,196.0 at 2 pm. The Oil and Gas index rose 12.2 to 5,047.2, while in Montreal, Banks put on 2.16 to 372.15.

Dome Petroleum advanced 1¼ to C$90¼.

Tokyo

Trading became much more active yesterday, although the market, after staging an early improvement, declined on late profit-taking to leave a majority of falls on the day.

The Nikkei-Dow Jones Average shed 5.33 to 6,811.36, while declines led gains at the close by 373 to 261 on the First Market section. Volume increased to 360m shares from Monday's 160m.

However, some Real Estate issues closed strongly, while a few Light Electricals and Trading Houses also resisted the late downtrend.

Heiwa Real Estate gained Y19 at Y622, Mitsubishi Real Estate Y10 at Y392, Sony Y40 at Y2,200, TDK Electronic Y30 at Y2,390 and Marubeni Y4 at Y392.

Elsewhere, Fujiya Confectionery advanced Y37 to Y373 and Nippon Oil Y20 to Y1,470. Maruzen Showa climbed Y50 to Y557 despite tightened margin trading curbs.

In contrast, Takeda Chemical fell Y8 to Y525, Nippon Chemical Y10 to Y430, Kaken Pharmaceutical Y40 to Y1,430, Kyoto Ceramic Y40 to Y3,180 and Honda Motor Y5 to Y547.

Germany

Bourse prices tended to lose ground, with the mood of the market soured by Commerzbank's mid-year report, which cast doubts about a 1980 dividend payment.

Commerzbank fell DM 7.50 to DM 169.50, while Bayerische Vereinsbank declined DM 5 to DM 305 and Deutsche Bank DM 3.50 to DM 277.

MAN receded DM 7 to DM 187 in Engineerings, while Motors had BMW down DM 2.50 and Daimler off DM 4.50, but Mercedes gained DM 2.

Public Authority Bonds continued to improve, gaining up to 40 pfennigs more. The Bundesbank sold DM 6.8m nominal of stock after sales on Monday of DM 23.7m.

Hong Kong

After Monday's fresh stock market rise in hectic trading on the two-point reduction in local Prime Rate to 10 per cent, business became more two-way yesterday with a fair amount of profit-taking ensuing. Shares finished with an overall mixed appearance, although the Hang Seng index managed to close a modest 1.50 higher at a new seven-year peak of 1,158.12. Turnover on the four exchanges amounted to a heavy HK$398.79m, but was well below the previous day's HK$513.02m.

Jardine Matheson receded 20 cents to HK$21.80 on rumours about a possible "rights" offer or Loan stock issue. Swire Pacific "A" shed 15 cents to HK$8.90 and Jardine Securities 20 cents to HK$10.90, but East Asia Navigation put on 45 cents to HK$6.60.

News that Mai Hon is negotiating to sell a recently-acquired property at a substantial profit gave some fresh stimulus to the Property sector. HK Wharf hardened 20 cents to HK$75.50, Mai Hon 30 cents more to HK$9.00, Sun Hung Kai Properties 20 cents to HK$15.90 and Associated Hotels 15 cents to HK$5.80.

Australia

With London showing little interest at present for Australian stocks, markets put on another rather subdued performance. Minings were again mixed, while Oils were easier-inclined on meeting further profit-taking, but Industrials retained a firming tendency.

Among Golds, Central Norseman rose 60 cents to A$11.50, but GMK shed 10 cents to A$8.20.

Consolidated Gold Fields put on 20 cents to A$3.20 following strong profit performances by offshoots Renison and Mount Lyell.

Elsewhere in Minings, Western Mining picked up 8 cents to A$5.30, but Utah fell 19 cents to A$5.00 and Peko-Wallsend 10 cents to A$8.20.

Strata Oil, A$2.50, relinquished Monday's rise of 15 cents, while Santos shed 20 cents to A$12.50.

News that Australia has signed a 750,000 tonne raw sugar deal with China pushed Bundaberg Sugar 10 cents higher at A$3.75 and Pioneer Sugar 5 cents up to A$3.20, but major producer CSR were unchanged at A$7.40.

Paris

Helped by Wall Street's overnight firmer trend, shares on the Paris Bourse became firmer-inclined yesterday.

Banks, Real Estates, Foods, Constructions, Rubbers, Printings and Stores were mainly higher, while Electricals, Oils and Chemicals were mixed but Metals easier.

Afrique Occidentale moved ahead FFr 14 to FFr 402, Perrier FFr 11.6 to FFr 204.5 and Bouygues FFr 9 to FFr 655.

Johannesburg

Gold shares closed mainly higher after fairly active trading. Vaal Reefs stood out with an advance of R2.75 to R89.50. President Steyn hardened 25 cents to R57.00 and Randfontein 75 cents to R81.25.

Mining Financials were mixed to firmer, with UCI up 30 cents at R16.00 after interim figures. Diamond leader De Beers gained 20 cents to R11.80.

Platinums were easier, Coppers steady and Industrials firmer in places.

Amsterdam

Stock prices closed mixed with a firmer bias. Unilever, Royal Dutch, Heineken, Robeco, Rolinco and Volker Stevin gained between Fl 1.00 and Fl 1.60 among the most active issues.

Closing prices for North America were not available for this edition.

Indices

NEW YORK —DOW JONES

	July 28	July 25	July 24	July 23	July 22	July 21	1980 High	1980 Low	Since Compil't'n High	Since Compil't'n Low
♦ Industr'ls	925.43	919.09	926.11	928.59	927.38	920.67	929.97 (21/7)	759.13 (21/4)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me B'nds	72.84	72.69	72.93	73.10	73.55	75.34	76.61 (23/6)	65.07 (28/3)	—	—
Transport	304.45	303.90	308.50	309.71	312.55	313.46	315.43 (21/7)	235.89 (27/3)	315.43 (21/7/80)	12.23 (8/7/32)
Utilities	111.65	112.93	113.36	113.47	114.28	114.17	115.14 (8/7)	96.04 (27/3)	163.32 (20/4/69)	10.52 (28/4/42)
TradingVol 000's	33,360	36,250	42,420	46,990	52,260	42,760	—	—	—	—

Day's high 927.73 low 911.69

Ind. div. yield %	July 18	July 11	July 4	Year ago (approx)
	5.72	5.93	5.94	5.93

STANDARD AND POORS

	July 28	July 25	July 24	July 23	July 22	July 21	1980 High	1980 Low	Since Compil't'n High	Since Compil't'n Low
‡Indust'ls	137.51	136.64	137.80	137.85	138.07	138.46	139.49 (21/7)	111.09 (27/3)	139.40 (21/7/80)	3.52 (30/6/32)
§Composite	121.43	120.78	121.79	121.93	122.19	122.51	122.51 (21/7)	98.22 (27/3)	125.85 (11/1/73)	4.40 (1/6/32)

	July 16	July 9	July 2	Year ago (approx)
Ind. div. yield %	4.88	4.97	5.07	5.32
Ind. P/E Ratio	8.02	7.90	7.92	7.87
Long Gov. Bond Yield	10.08	10.11	10.13	8.92

N.Y.S.E. ALL COMMON

July 28	July 25	July 24	July 23	1980 High	1980 Low
69.43	69.10	69.68	69.73	70.10 (21/7)	55.30 (27/3)

Rises and Falls	July 28	July 25	July 24
Issues Traded	1,891	1,882	1,889
Rises	777	464	678
Falls	700	1,030	721
Unchanged	414	356	420
New Highs	50	40	69
New Lows	4	2	4

MONTREAL

	July 28	July 25	July 24	July 23	1980 High	1980 Low
Industrial	399.47	400.87	403.67	398.07	425.80 (29/2)	325.21 (27/3)
Combined	365.96	367.71	369.45	366.38	378.90 (29/2)	296.30 (27/3)
TORONTO Composite	2184.1	2197.2	2204.6	2195.3	2204.6 (24/7)	1702.5 (27/3)

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
Panhandle Pipe	533,300	30⅝	−1⅞
Pan-Am Airways	384,900	5⅝	+ ⅛
Norton Simon	367,900	16⅝	+ ⅜
Benquet	364,000	13	—
Nat. Semi-Cndctr	321,400	30⅞	+1⅛
General Mills	315,900	26½	+ ⅛
Texaco	310,600	37⅝	− ⅛
Citicorp	307,700	21⅝	—
Mobil	291,700	78½	+ ⅛
City Investing	268,900	23⅝	− ⅛

	July 29	July 28	July 25	July 24	1980 High	1980 Low
AUSTRALIA						
Sydney All Ord. (1/1/80)	919.65	917.58	914.29	911.41	947.47 (14/2)	76.00 (2/1)
Metals & Minls (1/1/80)	5809.25	5782.54	5779.65	5762.94	6680.55 (14/2)	4531.25 (28/5)
AUSTRIA						
Credit Aktien (2/1/62)	67.60	67.56	67.15	67.15	69.48 (7/1)	66.85 (25/6)
BELGIUM						
Belgian SE (31/12/63)	94.65	94.25	94.54	94.28	105.76 (11/2)	90.14 (21/3)
DENMARK						
Copenhagen SE (1/1/73)	86.75	85.86	84.75	84.78	86.74 (2/1)	74.78 (5/3)
FRANCE						
CAC General (29/12/61)	107.9	107.8	108.5	108.5	117.8 (22/2)	91.1 (3/1)
Ind Tendance (28/12/79)	111.2	110.9	111.4	111.4	111.4 (24/7)	95.60 (6/1)
GERMANY						
FAZ-Aktien (31/12/58)	233.68	234.51	235.75	235.75	235.89 (25/2)	212.75 (28/3)
Commerzbank (Dec. 1953)	738.6	738.8	769.0	746.6	749.9 (25/9)	667.0 (27/3)
HOLLAND						
ANP-CBS General (1970)	87.6	87.8	88.0	87.8	88.8 (25/7)	74.0 (27/3)
ANP-CBS Indust. (1970)	66.8	66.8	67.0	66.4	68.2 (11/1)	58.2 (28/3)
HONG KONG						
Hang Seng Bank (31/7/64)	1158.12	1156.62	1147.10	1150.37	1158.12 (29/7)	738.9 (19/3)
ITALY						
Banca Comm. Ital (1972)	110.41	109.16	108.12	107.54	110.41 (29/7)	85.11 (2/1)
JAPAN						
Dow Average (16/5/49)	6811.36	6816.71	6810.49	6795.98	6904.81 (26/4)	6475.93 (27/3)
Tokyo New SE (4/1/68)	468.35	468.66	468.86	468.60	473.55 (23/6)	449.01 (10/3)
NORWAY						
Oslo SE (1/1/72)	125.75	126.05	125.75	125.75	144.70 (14/2)	110.12 (28/3)
SINGAPORE						
Straits Times (1966)	578.04	578.09	576.18	571.57	578.09 (28/7)	429.75 (6/1)
SOUTH AFRICA						
Gold (1958)	(u)	(u)	(u)	767.6	767.6 (24/7)	649.5 (13/6)
Industrial (1958)	(u)	(u)	(u)	576.2	576.2 (24/7)	458.0 (29/1)
SPAIN						
Madrid SE (28/12/79)	105.79	(c)	105.90	106.90	105.90 (24/7)	83.79 (13/5)
SWEDEN						
Jacobson & P. (1/1/58)	372.28	371.53	373.4	373.45	366.98 (3/2)	334.72 (17/1)
SWITZERLAND						
SwissBank Co. (31/12/58)	509.6	509.4	510.1	507.2	511.9 (11/2)	279.0 (28/3)
WORLD						
Capital Intl. (1/1/70)	—	147.2	—	148.0	148.6 (21/7)	120.5 (27/3)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poors—10; and Toronto—1,000; the last named based on 1975. † Excluding bonds. ‡ 400 industrials. § 400 industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

هكذا من الأصل

Alan Friedman reports on the drug store chains. Will Britain follow the U.S. trend?

A prescription to fight the recession

A chain drug store in a Chicago suburb; (right) Philip Weinstein, head of Affiliated Drug Stores

"EVERYONE PROFITS when everyone participates." This is the motto emblazoned in the Fifth Avenue offices of Associated Chain Drug Stores (ACDS), one of the key organisations in the rapid growth of chain "drug stores" retailing in the United States.

UK retailers have a number of lessons to learn from their American counterparts and one of them is the careful use of the sometimes scorned "bigger is better" concept in the chemist group sector. There are signs that some, at least, are catching on.

Managers of British DIY retailing chains have been among the most active to follow U.S. and Continental attitudes and pioneer the large, edge-of-town "superstores" which attract a middle-range clientele and feature high volume turnover.

It may well be that the next sector of UK retailing to take a leaf out of the U.S. experience will be the chemist shop business. Despite important differences in UK and U.S. style, there is still a good deal to be learned from the extraordinary growth of chain drug stores in North America.

The growth of chain drug stores—a chain is defined as more than four outlets under common ownership—has been aided by a number of management and marketing associations such as ACDS. These organisations specialise in the growth of the chemist shop sector.

As membership organisations they have literally grown up with the business. Although they were founded in the 1920s, the "take-off" period for U.S. drug stores came after the Second World War and particularly in the 1950s and 1960s.

All the time, national strategy groups such as ACDS and its competitor, Affiliated Drug Stores (ADS) were working directly with the retailing chains to win over the American consumer. The chains have almost outgrown the need for outside help, providing an impressive case for the benefits of joint strategy on a major scale.

Many of the 15,000 outlets in the U.S. chain drug store field employ co-operative manufacturing arrangements and co-ordinate advertising and discounting campaigns. So synchronised is their approach that a chain store in Utah may have the same floor plan as a related branch in Florida.

These elements of large-scale planning have paid off handsomely. Last year, chain stores reaped 56 per cent of U.S. drug store sales of $26.7bn (£11.9bn). Large outlets with a broad merchandise mix have become widespread. Drug stores now sell products ranging from artificial Christmas trees to hosiery and electronic video games as well as making up the traditional prescription.

The latest store innovation has been the walk-in, walk-out dental surgery. In order to lure customers, the chain store managers and their national associates constantly concoct new gimmicks.

Last year's total sales of the U.S. drug store chains — at $14.86bn (£6.6bn) — were impressive. Total net profits came to $357m (£158.7m). Average sales per store totalled just under $1m and the 676 different drug store multiple groups owned more than 107m sq ft of selling space last year.

ACDS was founded in 1926 by a group of chain drug store owners in order to keep abreast of the latest trends in prescription medicines and related products. This was in the golden age of corner pharmacies — a period marked by the privately-owned neighbourhood shop which sold medicines, related goods and probably had a long counter called a "soda fountain" around which young people would congregate to gossip and drink "egg creams" or milk-shakes.

Those days are just about over. The present-day American drug store is a large combination department store with a chemist's desk located at the rear. To get to the prescription counter the customer must walk past a labyrinth of clothing and food racks, DIY and electronic sections, health and beauty aids, book and periodical stands and more. A visit to the local drug store may turn into an expensive adventure in impulse shopping.

According to Mr. Robert Roth of U.S. stockbrokers Merrill Lynch, the drug store chains' merchandise mix now consists of "low-priced high-consumption basics that are relatively unaffected by the economic dislocations that can adversely affect other retailers."

Mr. Roth also notes that the historic ability of drug chains to identify fast-growing merchandise categories and to assimilate them successfully into their merchandise mixes has bolstered volume growth rates.

Mr. Ira Shain is the president of Associated Chain Drug Stores which serves 5,300 member stores in all 50 states. The modern chain drug store developed as a result of price wars which started as long ago as the early 1950s, he says.

"The concept of price wars became so popular that some of the smaller drug stores printed signs which read 'cut-price goods' and they started hanging them above their names." Some stores, says Mr. Shain, then branched out into houseware, toys, gift items, stationery and automotive supplies.

By the late 1950s small stores were being gobbled up by the new and larger "super drug stores." Whereas the average independent drug store looks to prescriptions for about 50 to 60 per cent of total business, the chain drug store can survive with as little as just 18 to 20 per cent of turnover derived from this source, he says.

"It was all part of what we now accept as one-stop shopping," says Mr. Shain. "The speedy growth of American suburbia in the 1960s also contributed to the trend."

Mr. Shain also see ACDS as an information service for chains across the country. "We are the eyes and ears of far-away store groups. We put together group purchases for hundreds of stores across America and co-ordinate prices by going to manufacturers and producing under a private label."

Although the net worth of ACDS is just $500,000, its team of "merchandise counsellors" serves 31 different chains with billions of dollars of business. These chains, through the issue of nominal shares, collectively own ACDS.

Among the chains within ACDS are some of America's most successful groups. The Jack Eckerd Drug Company started only 30 years ago, but recently added its 1,000th store. Last year the company reached the $1.3bn mark in sales and achieved $60m in earnings, both drug-store sector records.

Mr. Bud Perfit, senior vice-president of Eckerd, says that his group employs a buying staff of more than 100, but that membership in the New York-based ACDS is "a good investment. It costs us just $4,200 each year and we think it helps us to keep aware of what key vendors in New York are up to."

The Eckerd group is a publicly quoted company with shares on the New York Stock Exchange.

Mr. Philip Weinstein has been president of Affiliated Drug Stores for the past four years. His member chains, of which there are 70, account for around 2,000 stores, each between 8,000 and 10,000 sq ft in size.

Mr. Weinstein concentrates on "special deals" for his nationwide group. He cites examples such as Christmas plants with plastic ornaments and "funny Easter candy" as successful ventures in drug-store marketing.

But even with package deals and private labels, Mr. Weinstein admits that the trend to larger and larger stores is causing headaches. "It's getting tougher as chains merge with each other. We lose a member each time this happens," he says.

But echoing the words of most industry analysts, Mr. Weinstein observes that although drug chains are not recession-proof, they are recession-resistant. "People will always have to buy some of our products. They are staple items."

He adds that when money is short, customers may even go down market from department stores and come to a chain drug store to purchase a television set or music centre. "We offer the advantage of constantly cut prices," he claims.

Service groups such as ACDS and ADS act as a back-up for some major chains. Says one chain store chief executive: "They keep us on our toes. They supplement our own buying staff."

The high point for both groups is a twice-yearly exhibitors' show, held either in New York or Chicago. At these gatherings, dozens of manufacturers pay fees for the chance to sell a deal to the drug store chains. The revenue from these manufacturers helps to meet the operating expenses of ACDS and ADS.

In Britain, with the U.S. experience clearly in mind, Boots has started to experiment with larger (40,000 to 50,000 sq ft) outlets, although not in the London area. Today, its 62 largest stores account for around a third of selling space out of more than 1,100 stores around the country.

Boots, which has a dominant market share, toyed with a more serious plunge into the departmental stores business in 1973-1974 when it bid £225m for the House of Fraser group. But it withdrew before the deal was vetoed by the Monopolies Commission. At the time, Boots saw the potential acquisition as complementary to its chain business.

On a much smaller scale, a company called Superdrug has shown that there is scope for bringing the "drug store" concept to the UK. Founded in 1967, it is a subsidiary of Rite-Aid, a U.S. chain. Last year more than 100 UK outlets produced a turnover of £40m.

The Superdrug chain does not make up prescriptions, and the emphasis is upon fast-moving toiletries and related items. Some industry analysts see Superdrug as a minor thorn in the side of Boots.

Mr. Keith Ackroyd, a director of Boots, believes there are too many social and cultural differences from the U.S. for any radical change in the British retailing style. He stresses the difference between American drug stores and British chemist shops.

Above all, he suggests that the High Street concept is very much a British approach, not easily changed. The Americans, says Mr. Ackroyd, have abandoned the city centre.

"We try to suit our business to the local community, adding a range of merchandise beyond pharmacy items in gradual stages. As the shopping group increases in size, we will expand in size and create more of a department store."

This highlights at least one major difference in retailing philosophy. The American chain drug store entrepreneurs appear to achieve more rapid growth by constantly changing their merchandise mix and by a consciously diversified approach. However, the trend in Britain is towards some of the more ambitious techniques of the U.S. scene. With out-of-town retailing, centred on the chain drug store, there may yet be lessons to be learned in the UK.

COMMODITIES AND AGRICULTURE

Coffee prices reach four-year low

BY RICHARD MOONEY

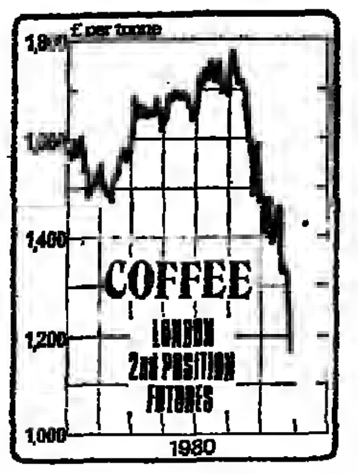
CONTINUED SPECULATIVE selling pushed prices still lower on the London futures market yesterday with nearby positions falling over £100 a tonne at one stage. But after a late rally the September position ended only £36 down on the day at £1,163 a tonne.

Coffee futures prices have now fallen more than £300 in a month to reach their lowest levels for four years.

There were no apparent fundamental developments to explain yesterday's sell-off. Physical buying interest was "reasonable" traders said. Most of the selling was by speculators and it was suggested that much of this was "forced selling" by traders who could not meet their increased margin requirements following yesterday's £87 fall.

Dealers attributed the recovery in the afternoon to support buying by the Bogota producer group which operates a large fund to "stabilise" coffee prices.

Many London traders have been taken by surprise by the sheer size of the recent decline in the coffee market, especially as sellers are normally expected to be reluctant at this time of year because of the risk of frost in Brazil. But the weather in Brazil's coffee regions has been unusually warm and although the traditional frost season still has a month or so to run, all thoughts of serious damage being done this year appear to have been dismissed from traders' minds.



The "bearish" mood of the coffee market seems to have become firmly entrenched and all the producers' efforts to boost prices or at least stem the decline have failed.

Worried at the sharp fall which followed the easing of frost fears at the end of June the main producers led by Brazil embarked on a policy of refusing to sell their coffee until prices recovered to what they considered a reasonable level.

But roasters in consumer countries, where stocks are fairly high, were unimpressed, and the decline continued. The fact that Indonesia, which has an unusually good crop, has remained a keen seller has not helped the producers' cause.

The Bogota group has fought valiantly to steady the market but an ever increasing flow of speculative selling has swamped its efforts.

Tin rises on supply squeeze

By John Edwards, Commodities Editor

TIN PRICES rose on the London Metal Exchange following a "squeeze" on supplies immediately available to the market. The cash price gained £70 to £7,205 a tonne, and at one stage moved above the three months quotation, which eventually closed £44.5 up at £7,212.5.

Trading interest was subdued, however, prior to the third offering of surplus tin from the U.S. stockpile, due to be sold yesterday. In the first two fortnightly offerings on July 1 and July 15 all bids received were rejected as being below the market price level. Traders are waiting to see whether the stockpile authorities will maintain their hard line attitude or be tempted to make some sales at below market prices.

Reuter reported from La Paz that the Bolovian Mining Commission (Comibol) have offered a new draft agreement to tin miners to end a protest strike that has paralysed the industry since the military toppled President Lidia Gueiler 12 days ago.

Meanwhile the Straits Trading Company in its tin market review, issued in Singapore, noted that the average Penang market price during the first half of 1980 jumped to M$2,234 a picul compared with M$1,924 in the same period of 1979. In the last six weeks of the second quarter, however, prices declined to M$2,150 influenced by the prospective resumption of U.S. stockpile sales, Straits Trading said.

LEAD IN BATTERIES

New technology cuts demand

BY ROY HODSON

THE RACE to cut down the weight and thus the lead content of batteries is speeding up dramatically. Two developments at pilot production stages in the U.S. and Australia respectively promise to offer savings of between 10 per cent and 30 per cent.

Already the hard-pressed lead market has seen prices collapse from a high point of more than £700 a tonne last year to below £350 a tonne. Batteries account for about half the lead used in the world. Two important contributory factors in the current fall in demand for the metal are the recession in car and commercial vehicle production, and the steady introduction of lighter batteries.

The Lead Development Association which has been monitoring the progress of battery technology closely is taking the new work in Australia and the U.S. seriously as a pointer to even lighter battery designs for the 1980s with consequent reductions in lead usage.

Globe Union of the U.S. has managed to substitute plastics for lead in the design of one of the most important components of the lead-acid battery—the grid. Each cell in a conventional lead-acid battery is made up of a bundle of thin grids made of lead. Globe Union has invested a plastics grid upon which a pattern of lead strips is superimposed to carry current to the terminal.

First indications are that the plastics grid will achieve a weight saving of at least 10 per cent over conventional battery designs by reducing the amount of lead.

Dunlop Australia has gone further by introducing a new automobile battery called the Pulsar a few weeks ago which is 30 per cent lighter than conventional designs and about 25 per cent smaller.

The battery is being described as revolutionary by Dunlop. When shown at the International Lead Conference in Madrid in May it won first prize for new technology.

Mr. Bill McDowall, a 37-year-old physicist and electrical engineer, invented the Pulsar while research and development manager of Dunlop Batteries in Australia.

He abandoned the classic battery form in which the cells are built up from grids inside a container. Instead, the Pulsar is constructed from a series of plastic frames each of which can be regarded as a very thin battery with active material and grids and separators. A number of frames are bonded together and they form a battery with an integral casing.

Finally the battery is filled with electrolyte through tiny holes which allow it to breathe when in service. It does not require "topping up" after being installed in a vehicle.

The western world has been using nearly 2m tonnes of lead a year in battery production in recent years. But the weight of each unit has been falling steadily as conventional lead-acid battery design has improved. Some five years ago the average weight of a battery was between 13 kilos and 14 kilos. Batteries now in production average between 10 kilos and 11 kilos each.

Apart from the breakthroughs now being claimed by Globe Union and Dunlop Australia the big manufacturers are locked in a furious technical debate about the best design routes to follow in order to save weight and materials while still providing batteries with adequate power.

Mass production of lightweight designs by the big manufacturers is concentrating upon two techniques—the low maintenance battery and the maintenance-free battery.

AC Delco, the General Motors components subsidiary, has led the way in maintenance-free automotive batteries with its Freedom design. The Freedom does not need "topping-up," as it is sealed for life. The traditional lead-antimony alloy for the grids has been replaced with a lead-calcium alloy. AC Delco claims the advantages of the lead-calcium system include lighter weight, resistance to over-discharge, better internal electrical properties, and a 12-months shelf-life fully charged compared with only four months on average for the older designs.

Other manufacturers have preferred to reduce the need for "topping-up" and save weight by reducing the amount of antimony in their lead antimony grid alloys and experimenting with other metals. The "low antimony" batteries require "topping-up" only every 18 months.

AC Delco is selling its Freedom lead-calcium battery vigorously in international markets now after several years experience with it in the U.S. The group will make 2m units a year at a new plant being built in France near Strasbourg. Deliveries will start later this year into an already saturated European battery market.

The low-maintenance battery designs have strong support in the industry. But there are signs that the hot pace being set by AC Delco will persuade other producers to switch to the maintenance-free lead-calcium design. The emphasis will be on saving more weight to cut the cost of materials.

The battery market is price-sensitive. Customers want more sophisticated batteries, but they do not want to pay more.

However, the innovations by Globe Union and Dunlop Australia offer the prospect of some manufacturers seeking by licence, or through their own research, to manufacture advanced new battery designs which will use less lead than the present best designs on the market, will be lighter in weight, and will certainly be maintenance free. The prospect raises serious questions for the lead producers.

Scheme to protect mackerel

BY OUR COMMODITIES STAFF

THE GOVERNMENT has taken action to prevent over-exploitation of Britain's west coast mackerel fishery—one of the few large fisheries still available to UK trawlermen.

Answering a Parliamentary question yesterday Mr. Alick Buchanan-Smith, Minister of State for Agriculture and Fisheries, said the Government had decided not to restrict entry tot he fishery, but to limit further growth in catching capacity.

From midnight last night he said licences to fish for mackerel would not in genreal be issued to purse seiners or freezer trawlers which had not previously been catching British mackerel. These types of vessel are the most efficient, and therefore the most destructive of stocks, operating in British waters.

The British Fishing Federation commented that the move to protect the fishery was welcome but questioned the wisdom of "penalising efficiency." An official said maximum efficiency was needed to make the best use of the mackerel fishery, which had become the mainstay of the British catching industry. The BFF represents Britain's deep-sea trawler operators.

The Government has also decided to alter mackerel licensing arrangements so that vessels will get a seasonal quota instead of the weekly quota given last year. This move was welcomed unreservedly by the BFF.

The official said it would allow the industry to plan more effectively and to meet the requirements of the export markets, chiefly Nigeria, which take most of the mackerel.

Weekly quotas had forced fishermen to go "hell for leather" at the fishery, he said. This had led to export markets being flooded at some times and starved at others. It had also caused early closure of the fishery once the catch limit was reached.

In the 1979-80 season, British fishermen landed about 300,000 tonnes of mackerel, more than a third of the country's total fish catch.

Locust plague warning

ROME — African migratory locusts are threatening agriculture in north-east Nigeria, northern Cameroun, north-western Chad and possibly also Niger, the Central African Republic and Sudan, the UN Food and Agriculture Organisation (FAO) said.

Large-scale control efforts will be needed to prevent a locust plague, it said in its latest food outlook report, based on information available up to July 21.
Reuter

Indonesia to postpone rice imports

JAKARTA — Indonesia will postpone contracted imports of 600,000 tonnes of rice until at least October, Mr. Bustanil Arifin, head of the National Logistics Board (Bulog), has said.

Storehouses are overflowing with purchases from local crops following good harvesting this year, he said. Bulog had purchased 1.5m tonnes of rice for its buffer stock from local farmers this year, 300,000 toones more than last year, he added.
Reuter

Bad weather hits Israeli citrus exports

ALTHOUGH Israel exported only 44.5m containers in the 1979-80 shipping season, which ended two months ago, income from citrus sales abroad increased.

The total quantity exported was down by more than 10 per cent from the preceding season's 50m containers, but income rose to $257m from $250m a year earlier, according to official statistics.

The decline in the quantity sent abroad was due to inclement weather conditions—protracted heavy rains in the winter followed by early extended heatwaves.

Quality plan for apples

FINANCIAL TIMES REPORTER

FARMERS are being asked to market all their cox apples under a new "Kingdom" banner aimed at being a guarantee of quality and stable prices.

In a bid to boost home sales, Britain's growers are to set up their own force of inspectors to "police" the standard and quality of fruit being offered for sale in the markets.

More than 1,000 apple growers have been recruited as inspectors. All the main wholesale fruit markets will be visited at least twice a week and farmers and wholesalers dealing in inferior produce will be reported.

The names of persistent offenders may be published so that people know who they are, a farmers' spokesman said.

The "Kingdom" scheme is being officially launched this week by the Apple and Pear Development Committee and the Central Council for Agricultural and Horticultural Co-operation.

A spokesman said, "It is aimed at developing the marketing and promotion of English Cox apples and will ensure the housewife is kept regularly provided with properly graded, top quality apples at stable prices."

Forecast of improved cassava output

ROME—World cassava output in 1980 is forecast at 120.6m tonnes of roots, up from 117.8m in 1979, but below 121.3m in 1978, the UN Food and Agriculture Organisation (FAO) said in its latest food outlook report based on information available up to July 21.

International markets for cassava widened in the first half of 1980 with the Soviet Union and Eastern Europe buying 200,000 to 300,000 tonnes of cassava chips and pellets following the suspension of US grain shipments to the USSR, it said.
Reuter

BRITISH COMMODITY MARKETS

BASE METALS

COPPER—Lost ground on the London Metal Exchange in generally quiet trading conditions. After opening a little stronger in the pre-market, forward metal traded up to £964 during the morning Rings, but this proved to be the high for the day. Local selling during the afternoon quickly took the price back down to £946, at which level there was strong buying interest and the price rebounded up to £957. The metal weakened later to close at £953 on the late Kerb. Turnover 14,425 tonnes.

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Wirebars				
Cash	940-1	—7	936-7	—2
3 months	957-8	—3.5	954.5-5	+.25
Settlem't	941	—7	—	
Cathodes				
Cash	906-8	—5.5	905-7	+1.5
3 months	932-3	+5.5	930-2	+.5
Settlem't	908	—5	—	......
U.S. Prod		......	*100-105	......

Amalgamated Metal Trading reported that in the morning cash wirebars traded at £941. Three months £956, 57, 57.5, 58, 59, 58. Kerb: Wirebars, three months £956. Afternoon: Wirebars, three months £952, 53, 52.5, 53.5, 54, 53, 54, 55. Kerb: Wirebars, three months £958, 55, 54, 53.

TIN—Moved higher in active trading. Forward metal opened stronger at £7,200, and traded up to £7,230 during the first Ring. The contango narrowed during morning trading as hedge selling pushed the forward price back to £7,180, and for a time a small backwardation appeared, but the hedge selling proved to be overdone and forward metal recovered to close on the late Kerb at £7,210, at which level the contango reappeared. Turnover 840 tonnes.

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —
High Grade	£	£	£	£
Cash	7180-90	+57.5	7200-10	+70
3 months	7180-90	+17.5	7810-5	+44.5
Settlem't	7190	+60	—	......
Standard				
Cash	7180-90	+57.5	7200-10	+70
3 months	7180-90	+17.5	7210-5	+44.5
Settlem't	7190	+60	—	......
Straits, E.	$2160	+7	—	......
New York	—	......	—	......

Morning: Standard, cash £7,230, 20, 7,200, 7,190, 80. Three months £7,230, 7,180, 90, 80, 90. Kerb: Standard, three months £7,290. Afternoon: Standard, three months £7,190, 7,205, 7,200, 7,210. Kerb: Standard, three months £7,220.

LEAD—Fell slightly in quiet conditions. Forward metal opened higher in pre-market trading at £370, but came back to £365 as the morning Rings got under way. The midday Kerb saw the low for the morning of £362.5, and a low for the day was reached early in the afternoon at £361.5. The price firmed during the second Ring, and Kerb buying pushed the price at the close to £366.5. Turnover 5,175 tonnes.

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Cash	353.5-4	—4.75	349-51	—5.6
3 months	365-.5	—4.75	362-3	—4.75
S'ment	354	—5	—	......
U.S. Spot	—	......	*34-6	......

Morning: Three months £365, 66, 65.5, 66, 65. Kerb: Three months £363, 62. Afternoon: Three months £362, 62.5. Kerb: Three months £363, 65, 66, 67, 65, 65.5.

ZINC—Gained ground in steady trading. The low for the day of £304 was reached early on during the morning trading, and strong speculative buying soon pushed the price of forward metal to the day's high of £312.5. Late profit-taking left the close on the Kerb below the best at £311.25. Turnover 4,650 tonnes.

ZINC	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Cash	294.5-5	—3.25	301-2	+9
3 months	306-7	—3	312-3	+8
S'ment	895	—3.5	—	......
Primw'ts	—	......	*35.6	......

Morning: Three months £306, 6.5. Kerb: Three months £307. Afternoon: Three months £305.5, 05, 07, 08, 09, 10, 09, 10, 11, 12. Kerb: Three months £312, 11.5.

ALUMINIUM — Declined in quiet trading. Recent buying, which has proved to be largely speculative, dried up, and trade selling continued. The high for the day was £749.5, and trade selling took forward metal down to a close on the late Kerb at £732.5. Turnover 5,875 tonnes.

Alumin'm	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Spot	765-7	—6	758-61	—10.5
3 months	740.5-1	—6	736-7	—6

Morning: Three months £739, 41, 40, 41, 40, 41. Kerb: Three months £741. Afternoon: Three months £739, 38, 35, 37, 35, 36, 37, 36. Kerb: Three months £736, 35, 34, 33, 32.

NICKEL—Lost ground in quieter trading. Forward metal opened at the previous night's level of £2,800, and declined during the morning to £2,795. Renewed selling left the close on the late Kerb at £2,787.5. Turnover 378 tonnes.

NICKEL	a.m. Official	+ or —	p.m. Unofficial	+ or —
Spot	2765-70	—5	2750-60	—15
3 months	2795-800	—5	8785-90	—12.5

Morning Kerb: Three months £2,795. Afternoon: Three months £2,795, 85, 80. Kerb: Three months £2,790.

CORAL INDEX: Close 488-493 (+3)

LEGAL NOTICES

THE COMPANIES ACTS 1948 TO 1967
NOTICE TO CREDITORS
A. J. RUFFY & COMPANY LIMITED
(Creditors' Voluntary Winding Up)

NOTICE IS HEREBY GIVEN that the Creditors of the above-named Company are required on or before the first day of September 1980 to send their names and addresses, with particulars of their debts or claims, to the undersigned CHRISTOPHER JOHN OWEN SULLIVAN of Redhead Pignott, 43/45 Butts Green Road, Hornchurch, Essex, the Liquidator of the Company; and if so required by notice in writing from the said Liquidator either personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice and in default thereof, they will be excluded from the benefit of any distribution made before such debts are proven.

Dated this 24th day of July, 1980.
C. J. O. SULLIVAN, Liquidator.

PREVENTION OF FRAUD (INVESTMENTS) ACT 1958

NOTICE IS HEREBY GIVEN that

1. Osakaye Securities Co. Limited of Basildon House, 7/11 Moorgate, London, E.C.2, has relinquished the Principal's Licence issued pursuant to Section 3 of the Act, having been exempted from the requirement to hold such Licence by virtue of being a member of the United Kingdom Association of Tokyo Stock Exchange Members which by an order made by the Department of Trade on 20th February 1980 was declared to be a recognised association of dealers in securities pursuant to Section 15 of the Act.
2. Osakaya Securities Co. Limited has made application to the Department of Trade pursuant to Regulation 5 of the Prevention of Fraud (Investments) Deposit Regulation 1944 (S R & O 1944 No. 541) for the release of the five hundred pounds deposited in pursuance of Section 4 of the Act.
3. Any persons having a claim on the funds representing the deposit should send their names and addresses and details of their claim to the Assistant Secretary, Companies Division, Department of Trade, Sanctuary Buildings, Great Smith Street, London, S.W.1, not later than 21st August, 1980.

COURSES

TRAVEL

SILVER

Silver was fixed 4p an ounce higher for spot delivery in the London bullion market yesterday at £6.881. U.S. equivalents of the fixing levels were: spot $16.37, unchanged; three-month $16.736, up 1.9c; six-month $17.134, up 2.4c; and 12-month $17.984, up 2.4c. The metal opened at £6.92-£6.98 ($16.40-$16.55) and closed at £6.95-£7.01 ($16.48-$16.63).

SILVER per troy oz.	Bullion fixing price	+ or —	L.M.E. p.m. Unofficial	+ or —
Spot	688.10p	—4	697.25p	—6
3 months	714.10p	—5	783.5p	—7
6 months	736.0p	—5.2	—	......
18 months	779.0p	—5.3	—	......

LME—Turnover 123 (100) lots of 10,000 ozs. Morning: three months 716.2, 16, 16.5, 16, 15. Kerb: untraded. Afternoon: three months 723. Kerb: three months 725, 24.

COCOA

For the major part of the day cocoa futures were relatively unchanged to the Monday closing levels, however a late afternoon rally moved prices off the lows, reports Gill and Duffus.

COCOA	Yesterday's Close	+ or —	Business Done
July	1018-1023	+17.5	1017-997
Sep	1036-1037	+18.0	1038-1014
Dec	1074-1076	+16.5	1076-1053
March	1115-1117	+16.5	1116-1093
May	1136-1140	+18.0	1130-1116
July	1155-1156	+14.5	1156-1139
Sept	1173-1180	+14.0	1167-1159

Sales: 2,220 (3,470) lots of 10 tonnes.

COFFEE

Prices on the Robusta market tumbled once again during a hectic morning session when losses of £100 were registered in nearby positions following heavy liquidation in mixed activity. In the afternoon a dramatic recovery from earlier losses saw values close around the upper reaches of the trading range during an erratic session, reports Drexel Burnham Lambert.

COFFEE	Yesterday's Close	+ or —	Business Done
	£ per tonne		
July	1105-20	—65.0	1105-050
Sept	1162-64	—36.0	1180-080
Nov	1192-96	—24.5	1220-117
January	1213-15	—22.0	1230-149
March	1190-95	—12.5	1210-125
May	1200-01	—27.0	1210-160
July	1200-90	—5.0	1180-175

Sales: 15,060 (5,881) lots of 5 tonnes. ICS Indicator prices for July 28 (U.S. cents per pound). Other Mild Arabicas 134.50 (149.50). Robustas ICA 1978 132.75 (143.00). ICA 1983 133.00 (143.25). Unwashed Arabicas 207.50 (same). Comp. daily ICA 1968 163.75 (170.67).

GRAINS

LONDON GRAIN FUTURES—The market opened 15p higher. Wheat values remained about steady throughout the day and registered gains of 20p in fairly quiet trading. Barley saw a good volume and rose 30p-45p on the day due to good shipper and commercial buying interest, reports Acli.

	WHEAT		BARLEY	
M'nth	Yesterday close	+ or —	Yesterday close	+ or —
Sept.	95.45	—0.20	90.80	+0.55
Nov.	99.10	—0.20	95.10	+0.40
Jan.	102.95	—0.20	99.00	+0.45
Mar.	106.40	—0.30	102.30	—0.45
May	109.80	—0.10	105.60	+0.45

Business done—Wheat: Sept. 95.55-95.30, Nov. 99.30-99.05, Jan. 103.05-102.95, March 106.50-106.50, May 109.90-109.80. Sales 106 lots of 100 tonnes. Barley: Sept. 90.90-90.60, Nov. 95.20-94.90, Jan. 99.00-98.75, March 102.30-102.15, May 105.70-105.35. Sales 368 lots of 100 tonnes.

IMPORTED — Wheat: U.S. Dark Northern Spring No. 2, 14 per cent, July 99.30, Aug. 99.80, Sept. 101.00, Oct. 102.95, transhipment East Coast. U.S. Hard Winter, 13½ per cent, July 95.50, Aug. 97.25, Sept. 98.85, Oct. 99.50, transhipment East Coast. Maize: French Aug. 124 transhipment East Coast. S. African Yellow July-Aug. 80. Rest unquoted.

HGCA — Locational ex-farm spot prices. Feed barley: S. East 85.50, S. West 87.00, W. Midlands 86.90, N. West 84.50.

POTATOES

LONDON POTATOE FUTURES—The market was again steadier, with continued trade buying support. Prices dipped around the lunch close but found further support later in the afternoon to close a little under the highs, reported Coley and Harper. Closing prices: Nov. 40.50, +50 (high 40.70, low 40.30); Feb. 47.60, +30 (high 47.70, low 47.40); April 54.60, +30 (high 54.60, low 54.30). Turnover 61 (25) lots of 40 tonnes.

RUBBER

The London physical market opened easier, with little interest throughout the day, closing on a weak note. Lewis and Peat reported an fob price for No. 1 RSS in Kuala Lumpur of 288 (290.5) cents a kilo and SMR 20 at 260.5 (262.5) cents (August).

No. 1 R.S.S.	Yest'day Close	Previous Close	Business Done
Sept	57.50-57.90	58.50-58.80	—
Oct	58.30-58.10	58.50-59.80	—
Oct-Dec	58.60-58.70	60.70-60.90	60.40-59.40
Jan-Mar	63.50-63.40	64.10-64.20	64.20-64.30
Apr-Jne	66.40-66.50	67.10-67.30	67.10-66.40
Jly-Sept	66.20-69.30	69.90-70.00	69.60-69.20
Oct-Dec	71.90-71.90	72.60-72.70	72.10-72.00
Jan-Mar	74.20-74.30	74.90-75.00	74.80-74.20
Apl-Jne	76.70-76.90	77.60-77.70	—

Sales: 231 (171) at 15 tonnes.

Physical closing prices (buyer) were: Spot 55.50p (56.00p); Sept. 60.50p (61.25p); Oct. 61.00p (61.75p).

SOYABEAN MEAL

The London market opened with gains of £2 following renewed concern over crop prospects, reports T. G. Roddick. Prices traded around opening levels in two-way trade and closed steady with weaker sterling encouraging fresh buying.

	Yest'rday Close	+ or —	Business Done
	£ per tonne		
August	111.00-13.0	+0.50	115.40
October	116.00-13.5	+1.80	114.20-13.50
December	118.90-17.1	+1.85	117.50-16.90
February	119.00-19.2	+1.95	119.70-19.00
April	120.80-21.0	+2.15	121.80
June	121.50-23.0	+2.0	—
August	122.00-25.0	+1.0	—

Sales: 151 (200) lots of 100 tonnes.

SUGAR

LONDON DAILY PRICE (raw sugar): £282.00 (£283.00) a tonne cif for July-Aug.-Sept. shipments. White sugar daily price was £319.00 (same).

The market opened around overnight levels but prices began to move ahead in quiet trading conditions. Gains of some £5 were recorded during the afternoon following rumours that Thailand would again stop exports, before profit-taking developed which pared the gains some £3, reports C. Czarnikow.

No. 4 Contract	Yest'rdays Close	Previous Close	Business Done
	£ per tonne		
Aug	290.00-288.0	287.50	600.00-289.0
Oct	315.00-314.0	314.00-14.50	317.50-309.6
Jan	325.00-326.0	326.00-27.75	327.50
Mch	352.00-335.0	335.75-34.00	337.00-328.5
May	328.50-330.0	329.00-29.50	335.00-325.0
Aug	326.00-326.0	325.25-26.75	326.75
Oct	316.50-318.0	318.00-19.00	320.00-315.9

Sales: 3,718 (1,096) lots of 50 tonnes.

NUMBER 2 CONTRACT—Close (in order buyer, seller, business, sales). Aug. 293.75, 295.00, 297.00-295.00, 249; Oct. 322.75, 323.00, 325.00-318.00, 477. Sales 726 (1,883).

Tate and Lyle ex-refinery price for granulated basis white sugar was £342.6 (same) a tonne for home trade and £371.00 (£392.50) for export.

International Sugar Agreement (U.S. cents per pound fob and stowed Caribbean port). Prices for July 28. Daily price 28.84 (27.60); 15-day average 26.70 (26.66).

WOOL FUTURES

SYDNEY GREASY WOOL—Close (in order buyer, seller, business, sales). Australian cents per pound. Oct. 450.0, 451.0, 452.0-446.5, 118; Dec. 454.0, 455.0, 455.0-450.0, 122; March 459.0, 460.0, 461.5-457.0, 68; May 461.0, 462.0, 462.5-458.0, 41; July 463.0, 464.0, 465.0-462.0, 33; Oct. 463.5, 465.0, 463.0-463.0, 4; Dec. 465.0, 468.0, 465.0-463.0, 2. Sales: 389.

LONDON NEW ZEALAND CROSSBREDS—Close (in order buyer, seller, business, sales). New Zealand cents per kilo. Aug. 354, 364, nil, nil; Oct. 360, 364, 364, 2; Dec. 362, 368, 365-364, 18; Jan. 365, 368, 369, 10; March 365, 369, 369-368, 20; May 368, 372, 372-371, 18; Aug. 373, 377, 375, 8; Oct. 373, 378, 376-375, 3; Dec. 373, 378, 378-377, 7. Sales: 86.

PRICE CHANGES

In tonnes unless otherwise stated.

	July 29 1980	+ or —	Month ago
Metals			
Aluminium	£810/816	......	£810/815
Free Mkt	$1770/1790	......	$1680/17
Copper			
Cash w'bar	£936.5	—2	£888.5
3 mths	£954.75	+0.25	£912.6
Cash Cathode	£906.0	+1.5	£863
3 mths	£931.0	+0.50	£888
Gold troy oz.	$648.5	+4	$660.5
Lead Cash	£350.0	—5.5	£335.5
3 mths	£362.6	—4.75	£342
Nickel	£3,848.55	......	£3,248.55
Freemkt(cif lb)	285/310c	......	280/310c
Platin'mt'y oz	£182.50	......	£188.50
Free mkt	£381.80	+3.35	£294.35
Quicksilver†	$395/405	......	$390/400
Silver troy oz	688.10p	+4	784.30p
6 mths	714.10p	+3	753.30p
Tin Cash	£7,205	+70	£7,245
3 mths	£7,212.5	+44.5	£7,275
Tungsten 22.04lb	$148.65	......	$139.82
Wolfr'm 22.04 lb	$146/149	......	$145/146
Zinc cash	£301.5	+9	£304
3 months	£312.5	+8	£316.75
Producers	$780	......	$780
Oils			
Coconut (Phil)	—	......	$640
Groundnut	—	......	‡
Linseed Crude	—	......	£400
Palm Malayan	—	......	$540
Seeds			
Copra Philip	—	......	$435
Soyabean (U.S.)	—	......	$276.90
Grains			
Barley Futures	£95.10	+0.40	£95.95
Maize			
French No3AM	‡	......	‡
Wheat			
No.1 Red Spg.	‡	......	‡
No2HardWint	£95.50	......	£93.40
Eng. Milling†	‡	......	‡
Other commodities			
Cocoa ship't	£1,082	+19	£1,106
Future Sept.	£1,036.6	+19	£1,062.5
Coffee F'Sept.	£1,163	—36	£1,490
Cotton A Index	90.60c	+1	84.15c
Rubber (kilo)	55.50p	—0.6	59.50p
Sugar (Raw)	£282	—1	£323
Woolt'ps 64s kl.	288p kilo	......	288p kilo

— Not available. u July-Aug. s Sept. w Aug. s July. z Indicator. § Buyer. † Per 76-lb flask.

COTTON

LIVERPOOL—Spot and shipment sales amounted to 152 tonnes, bringing the total for the week so far to 352 tonnes. Fair general interest developed, with buyers a little more inclined to extend engagements. Most of the orders under review were in Middle Eastern supplies, including Turkish and Russian, but African qualities were not neglected.

JUTE

JUTE—August C. and F. Dundee: BWC £204, BWD £176, BTB £245, BTC £209, BTD £179. Antwerp August: BWC $480, BWD $416, BTB $585, BTC $499, BTD $427. Jute goods C. and F. Dundee: August 40-in 10-oz £12.25, 40-in 7½-oz £9.65. "B" twills £30.86.

*

HIDES—Birmingham: Ox and light cows up slightly, rest weaker. Second clears: Ox, 31-35.5 kilos, 33.5p a kilo (32.1p a kilo); 26-30.5 kilos, 37.1p (37.5p); 22-25.5 kilos, 38.6p (39.8p). Light cows 40.1p (38.9p).

*

GRIMSBY FISH—Supply good, demand good. Prices at ship's side (unprocessed) per stone: Shell cod £4.50-£5.60, codlings £2.50-£3.20. Large haddock £5.50-£6.20, medium £4.80-£8.20, small £2.60-£4.00. Large plaice £4.40-£8.80, medium £4.00-£6.00, best small £3.40-£4.60. Skinned dogfish (large) £4.50, medium £2.50. Lemon soles (large) £8.50, medium £8.00. Saithe £2.00-£2.50.

AMERICAN MARKETS

NEW YORK, July 29.

A BEARISH cattle inventory report resulted in mixed closes in the livestock complex. Cotton has led the weather-sensitive markets with limit gains while soyabeans and maize enjoyed more moderate gains. Wheat was mixed as a result of spreading against maize and soya. Sugar advanced steadily from early losses on reports of East European buying. Profit-taking helped cocoa move to higher levels and lifted coffee from limit declines. Copper sold off very sharply as Comex stocks continued to build up. Precious metals declined ahead of the balance of trade figures to be released later today, reported Heinold.

Potatoes (round whites)—Nov. 85.0 (84.0), March 111.0-111.5 (110.5), April 137.0-138.2.

¶Silver—Aug. 1625.0 (1644.0), Sept. 1637.0-1645.0 (1660.0), Dec. 1683.0-1690.0, Jan. 1705.0, March 1738.0, May 1768.0, July 1799.5, Sept. 1831.0, Dec. 1878.5, Jan. 1894.5, March 1926.0, May 1957.5. Handy and Harman bullion spot 1641.00 (1638.00).

Sugar—Sept. 30.30-30.50 (30.03), Oct. 31.30-31.40 (30.72), Jan. 32.20, March 32.90-33.05, May 32.70-32.80, July 32.00-32.15, Sept. 31.30-31.50, Oct. 30.95-31.20.

Tin—775.00-784.00 asked (775.00-783.00).

CHICAGO, July 29.

Lard—Chicago loose 23.00 (same). New York prime steam 23.00 (same).

Live Cattle—Aug. 73.80-73.90 (73.77), Oct. 71.30-71.40 (71.42), Dec. 70.80-70.90, Jan. 71.40, Feb. 71.80-71.55, April 72.30-72.40, June 73.40.

Live Hogs—Aug. 44.40-44.30 (43.70), Oct. 42.50-42.45 (41.57), Dec. 46.75-45.50, Feb. 48.65-48.55, April 47.55, June 49.46, July 50.65, Aug. 50.70, Oct. 50.00.

‡‡Maize—Sept. 326½-327 (323¼), Dec. 333½-334½ (330¾), March 342¾-343¼, May 348-348½, July 350-350½, Sept. 347.

Pork Bellies—Aug. 41.60-41.30 (41.57), Feb. 57.40-57.20 (56.75), March 57.55-57.45, May 58.00, July 58.10, Aug. 57.35.

†Soyabeans—Aug. 753-754 (741½), Sept. 762-762½ (751¼), Nov. 777-780½, Jan. 792-792½, March 804-805, May 807-808½, July 809-810, Aug. 807½.

||Soyabean Meal—Aug. 203.5-204.0 (199.5), Sept. 207.0 (203.0), Oct. 209.0, Dec. 213.5-214.5, Jan. 216.0-215.5, March 218.0-217.5, May 218.0-218.5, July 219.0-220.0, Aug. 220.5-221.0, Sept. 220.5-221.0.

Soyabean Oil—Aug. 27.05-26.90 (26.82), Sept. 27.30-27.35 (27.03), Oct. 27.45, Dec. 27.75-27.65, Jan. 27.60-27.55, March 27.70-27.60, May 27.75, July 27.80, Aug. 27.70-27.80, Sept. 27.70-27.80.

†Wheat—Sept. 457-456½ (455), Dec. 474-473½ (473¼), March 484-484½, May 486, July 486, Sept. —.

All cents per pound ex-warehouse unless otherwise stated. *$ per troy ounce. ¶ Cents per troy ounce. ‡‡ Cents per 56-lb bushel. † Cents per 60-lb bushel. || $ per short ton (2,000 lbs). § $Can. per metric ton. §§ $ per 1,000 sq. feet. ‡ Cents per dozen.

EUROPEAN MARKETS

ROTTERDAM, July 29.

Wheat—U.S. No. 2 Dark Hard Winter, 13.5 per cent, July $205, Aug. $208, Sept. $211, Oct. $212, Nov. $213, Dec. $214. U.S. No. 2 Red Winter, Aug. $199, Sept. $201, Oct. $203. U.S. No. 2 Red Winter, Aug. $199, Sept. $201, Oct. $303. U.S. No. 2 Northern Spring, 14 per cent, July $212.50, Aug. $214, Sept. $215.50, Oct. $219, Nov. $222. Rest unquoted.

Maize—Spot $181, afloat $158.50, July $160, Aug. $157.50, Sept. $158, Oct.-Dec. $161, Jan.-March $168.

Barley—Aug. $171.50, Sept. $173.50, Oct. $175.50.

Soyabeans—U.S. Two Yellow Gulfports Aug. $303, Sept. $307.25, Oct. $311, Nov. $311.50, Dec. $317, Jan. $321, Feb. $325.25, March $327.25, April-May $328 sellers. Argentine July $291, Aug. $292.50, Sept. $297.25 sellers.

Soyameal—44 per cent protein U.S. afloat $238, Sept. $248 traded, Oct. $254, Nov.-March $282.50 buyers, afloat $242, July $248, Aug. $248, Sept. $248, Oct. $258, Nov.-March $264 sellers. Brazil Pellets July $258, Aug. $261, Sept. $263, Oct. $270, Nov.-March $278.

PARIS, July 29.

Cocoa (FFr per 100 kilos)—July 980, Sept. 970-980, Dec. 1005-1010, March 1035-1080, May 1066, July 1065-1095. Sales at call 1.

Sugar (FFr per 100 kilos)—Oct. 3080-3085, Nov. 3170, Dec. 3125-3148, March 3246-3270, May 3200-3255, July 3180, Aug. 3160, Oct. 3140. Sales at call 9.

INDICES

FINANCIAL TIMES

July 28	July 25	M'nth ago	Year ago
272.81	273.57	267.45	278.59

(Base: July 1, 1952=100)

MOODY'S

July 28	July 25	M'nth ago	Year ago
1201.0	1198.3	1176.9	1072.9

(December 31, 1931=100)

DOW JONES

Dow Jones	July 28	July 25	Month ago	Year ago
Spot	437.76	434.48	427.20	399.44
F'tur's	445.31	448.69	444.38	402.05

(Average 1924-25-26=100)

REUTERS

July 28	July 25	M'nth ago	Year ago
1696.2	1690.2	1676.2	1529.9

(Base: September 18, 1931=100)

MEAT/VEGETABLES

SMITHFIELD—Pence per pound. Beef: Scottish killed sides 62.0 to 65.0; Ulster hindquarters 70.0 to 74.0, forequarters 37.0 to 42.0; Eire hindquarters 70.0 to 74.0, forequarters 38.0 to 41.0. Veal: Dutch hinds and ends 98.0 to 104.0. Lamb: English small 58.0 to 64.0, medium 56.0 to 60.0, heavy 52.0 to 58.0. Imported frozen: NZ PL 60.5 to 61.0, PM 55.5 to 56.0. Pork: English, under 100 lb 41.0 to 49.0, 100-120 lb 39.0 to 47.5, 120-160 lb 37.5 to 45.5.

MEAT COMMISSION—Average fatstock prices at representative markets on July 29. GB cattle 74.67p per kg lw (−0.62); UK sheep 128.44p per kg est dcw (−5.06); GB pigs 61.57p per kg lw (−4.81).

COVENT GARDEN—Prices in sterling per package except where otherwise stated: Imported Produce: Oranges—Brazilian: Navels 2.00-2.50; Moroccan: 54/113s 3.50-5.20; Californian Sunkist: Valencia Lates 72/113s 4.50-6.20; Outspan: Protea/Navels 3.00-5.55; Jaffa: 144/168s 1.25-2.20. Lemons—Italian: 100/150s 4.50-4.80; Spanish: Trays 25/45s 2.00-2.40, boxes 4.50-6.00; Outspan: Trays 35s 3.00, boxes 6.00-6.20. Grapefruit—Outspan: Marsh Seedless 3.90-5.00. Tangerines—Brazilian: Honey 80/125s per box 7.00. Apples—New Zealand: Red Dougherty 12.00.

English Produce: Potatoes—Per bag new 1.00-1.30. Mushrooms—Per pound 0.30-0.50. Apples—Per pound Grenadiers 0.16. Strawberries—English per ½-lb 0.20-0.30. Cabbages—Per bag 1.50. Cauliflowers—Per 12s English 2.60-3.00. Peas—Per pound 0.10-0.12. Broad Beans—Per pound 0.10. Beetroots—Per bag 1.20-1.30. Cucumbers—Trays 10/20s 2.00-2.80. Tomatoes—Per 12-lb 2.40-2.60. Lettuce—Per pound round 1.50, Cos 2.00. Carrots—New crop 28-lb 1.50-2.20. Onions—Per bag 4.00-4.30. Celery—English 18/36 5.40-6.00. Cherries—Per pound 0.50-0.55. Marrows—Each 0.15. Capsicums—Per pound 0.25-0.30. Runner Beans—Per pound 0.25-0.40. Swedes—Per 28-lb 1.50. Courgettes—Per pound [illegible]

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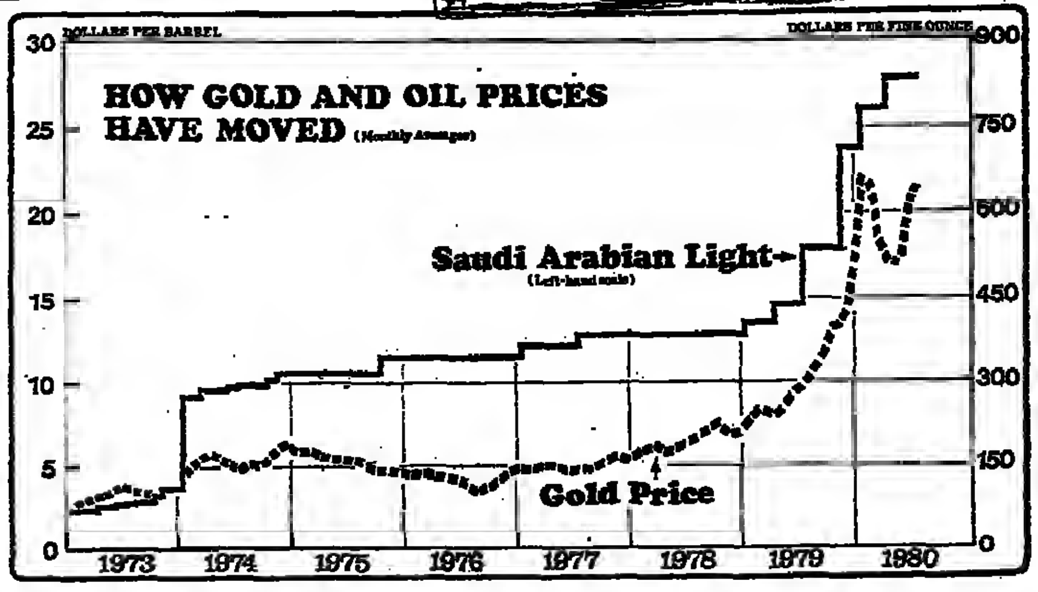
FINANCIAL TIMES SURVEY

Wednesday July 30 1980

هكذا من الأصل

GOLD



The buoyancy of the gold price has produced some intriguing sequels on the world financial circuit. Producer countries — including Russia — have benefited, as well as Western central banks and other investing institutions. Gold has also regained a role — though less formal — in monetary thinking.

Bond of common interest

By David Marsh

THE TREBLING of the gold price since the end of 1978 has welded a strong financial link among the most diverse of political bedfellows.

Ironically, the strand of common self-interest in the bullion price that joins the governments in Washington, Moscow, Pretoria and Bonn has been strengthened at a time of rising political tension. For *it is this* build-up of East-West pressure —which came to a head over the New Year with the Soviet intervention in Afghanistan—that has provided a major driving force behind the world-wide flight into gold.

Gold is now trading at roughly $200 below the peak of around $850 per ounce reached in early January. But compared with the former official price of $35 per *ounce* this still represents an 18-fold increase during the past nine years, a period when the general level of prices in the West has increased by "only" about 125 per cent.

The rapid rise in the gold price over the last 18 months has clearly been of great benefit to those private investors and institutions fortunate or far-sighted enough to have climbed aboard the bullion bandwagon at an early stage. (It is one of the many paradoxes about gold, however, that people *who* bought the metal believing in the imminence of World War III are presumably too frightened to enjoy their profits.)

But the biggest beneficiaries have undoubtedly been the main supplying countries, South Africa and the Soviet Union, *along with the large official* holders of monetary gold among Western central banks and governments, led by the U.S. and West Germany.

The rise has had large-scale economic and strategic consequences for the two gold-mining nations at opposite ends of the international political spectrum. And among the industrialised countries which own 85 per cent of the world's *monetary gold*, the big increase in the value of their reserves has not only provided them with an important financial buffer against the debilitating effects of the doubling of oil prices during the past year.

It has also led to a *de facto* resurgence of the importance of the metal in the international monetary system—although in a more informal role than the one it enjoyed before the ending of the gold/dollar link in 1971. The effective resurrection of the metal's monetary importance, after a decade of *efforts* at "*demonetisation*," has been bolstered by its mobilisation as part of the financing mechanism within the European Monetary System.

It has also been helped along by the proposal to use it to support the International Monetary Fund's scheme for a substitution account to aid the doner (although since April the whole plan has been put on ice).

Gold's backdoor remonetisation within the EMS was essen*tially decided* when the technical details of the scheme were worked out by the EEC at the end of 1978. This was the time, a year before the Afghanistan crisis, that the gold price really started to *take off*. Some participants in the bullion market say that the signal of a changing official attitude towards gold was the main factor behind the price rise last year.

Intriguing

It has been particularly intriguing during recent months to read words of approval by economic commentators in various Soviet journals about the use of gold within the EMS. Moscow after all has a large vested interest in the higher price.

Certainly the Western central banks are now broadcasting that they have no doubts about the usefulness of their gold reserves—and this has had one important direct effect on the market.

Many developing countries, particularly from OPEC, are trying to emulate the industrialised nations by building up their gold stocks. There is a clear link between the oil price (and the rise of the OPEC surplus) and the price of gold. Even the bullion market's softness during the past few weeks has been accompanied by a drop in oil prices on the spot market.

Purchases both by Middle East oil producers and by other countries in Latin America and South East Asia have been a constant feature on the bullion market during the past year or so. According to dealers, such purchases—especially when made at times when supplies have been thin—have contributed *significantly* to *pushing* up the price.

The clearest example of the economic effects of the golden windfall has been provided by South Africa. With bullion sales accounting for almost 50 per cent of its total export revenue, the rising price has enabled the Republic to reflate its economy in the teeth of an international recession. Real growth of more than 5 per cent is forecast for this year—and this time (unlike during the price surge in 1975) the South Africans are budgeting conservatively.

The Soviet Government's finances have also plainly received a considerable boost. The spurt in gold has been accompanied by big price rises for oil and the other precious metals that the Russians sell to the West. If the U.S. or any other country had been tempted to apply financial or credit sanctions in the wake of the Afghan invasion, Moscow could have shrugged off the threat with no trouble at all.

In fact, one of the riddles of the gold market this year has been that the Russians so far appear not to have directly capitalised on the price increase. No Soviet gold appears to have been sold to the Zurich banks—the main sales channel to the West—since the end of last year.

This probably reflects the healthy state of Moscow's foreign exchange reserves—and its belief that the market may yield even better prices if sales are withheld for a time. There have also however been rumours—impossible to verify—that the Soviets may have been carrying out direct sales to oil-producing countries.

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Similar reports have surfaced about gold-for-oil deals between South Africa and OPEC—and Pretoria certainly needs oil more than Moscow. Whether or not such transactions have taken place, it is evident that South Africa at any rate is diversifying its sales outlets in Europe and the U.S.—and *has* switched to a policy of withholding some gold from the market—in order to reap the highest prices from the golden harvest.

Among the main industrial countries, reaction to the price surge has been more ambivalent. The U.S., for example, as the largest gold holder (with about 8,200 tonnes of the metal, or about one *quarter* of total *reserves) has undoubtedly* been pleased to see a significant strengthening of its reserve base. At one time during the peak price surge at the start of the year, the value of the U.S. Treasury's gold holdings was equal to the total U.S. debt to foreigners.

Perception of this was one factor bolstering confidence in the dollar in the earlier part of the year—a colossal irony considering the U.S. Treasury's leading role as a proponent of demonetisation since 1971.

West Germany (in contrast to France and some other Continental countries) tended to follow the U.S. line on gold in the 1960s and 70s. Like the U.S. it is one of the few countries that still values its reserves on the basis of the old official price.

But there have ben signs of a perceptible shift in attitude in the Federal Republic. For one thing, the Bundesbank failed to mount significant opposition to the French-led drive to give the metal a key role in the EMS.

Additionally, during recent months when the *D-Mark has* come under uncharacteristic pressure on the foreign exchanges, the Bundesbank's governor, Herr Karl Otto Poehl has not been slow to point out that the currency has one important factor going for it — the size of Germany's Gold reserves, the second largest in the world.

Unwelcome

But at the same time, there have been fears in the U.S. and Germany, as well as in other countries, that the scale of the price rise could have unwelcome consequences, too.

There has been relief that the price *movements* have not led to unrest on the foreign exchanges — indeed, the link between the gold price and currency fluctuations seems well and truly to have been severed. But central bankers have been discomforted by the thought that the world-wide flight into gold could damage anti-inflation policies.

The rapid increases in the price of gold and other precious metals at the turn of the year in fact gave a significant boost to retail price indices in many countries. And the big increase in liquidity resulting from the effects of the price rise on gold-*owning countries' reserves could* in future tempt some governments to depart from their present "sound money" policies aimed at economic stability.

This has not happened yet. Belgium, the only country within the EEC so far to have profited from the gold mobilisation mechanism, *is still* pursuing very tough monetary policies, with interest rates in real terms among the highest in the world.

But there is no doubt that the big rise in gold reserves has increased the financing capacity of countries like France and Italy. And this could enable their governments to stave off economic "adjustment" measures if the franc or the lira got into trouble on the exchange markets.

Outside the EMS, there have been other clear examples of a resurgence of the metal's monet*ary importance*. *Portugal* revalued its gold reserves in early May, using the lion's share of the proceeds to write off public sector debt held by the central bank.

At the start of the year Canada sold off part of its official gold holdings to help repay official foreign debt. And even in the UK, the big increase in the official reserves over the last year, largely thanks to the revaluation of the gold reserves, was put forward by the UK Treasury this month as one of the main reasons justifying early repayment of a large loan raised by the Government from foreign banks.

A clear sign that the monetary authorities have mixed feelings about the effects of the rising gold price is that they have so far taken no direct action to try to control the market. In January, the central banks of the main industrialised countries briefly discussed the possibility of starting a programme of concerted sales to brake the rise.

But although both the Swiss and the Dutch authorities have indicated even in recent months that they would like to try such sales, the plan was turned down by a resounding majority.

Underpin

The fact that the central banks seem unlikely to unload gold in large quantities—together with the halt for the *time being* of auctions by the IMF and U.S. Treasury—has helped underpin the market.

Mr. Paul Volcker, chairman of the U.S. Federal Reserve, certainly has a good point when he says that the extreme volatility of the bullion price prevents it from regaining any central role in the monetary system.

However, as M. René Larre, general manager of the central bankers' bank, the Bank for International Settlements, has put it: "Gold may have no official status. But it is not unloved."

After all, central bankers—like anyone else—should be judged by action, not words. And their refusal to resurrect the Gold Pool arrangements of the 1960s by undertaking to sell off part of their stocks of bullion might indicate that even the ultimate guardians of the world's currencies are not entirely free from doubts about the long-term value of paper money.

GOLD II

Supply outlook this decade

THERE ARE slight differences of opinion about the amount of gold supplied to the world's free markets last year. There are plenty of data on the production of the major producers and the level of official sales, but for smaller countries and in particular the Soviet Union, the analysts have to rely to a large degree on guesswork.

The South African Chamber of Mines estimates that the world's gold supply fell by 1.5 per cent to 1,715 tonnes in 1979. Consolidated Gold Fields, by contrast, believes that it increased marginally to 1,765 tonnes. Meanwhile, Anglo American Corporation, the world's biggest gold producer, estimates that it fell marginally to 1,707 tonnes.

Despite the differences of a few tonnes here and there, the analysts are generally agreed that the world's gold supply was broadly unchanged last year. This is in contrast to tha last few years, when it has been increasing steadily.

In 1975 gold supplies reached a recently low point of just over 1,100 tonnes. Since then they bave increased by over half and the key question for the industry now is what will happen to supplies over the next decade.

South African production last year was msrginally down at 703 tonnes. The U.S. Treasury nearly trebled its sales to 365 tonnes but the IMF sales slipped by 14 tonnes to 170 tonnes. The third factor in the equation, which is often the most unpredictable, is the level of Soviet sales.

Once again there are slight differences in estimates but all the analysts are agreed that Soviet sales dropped sharply from about 410 tonnes in 1978 to around 220 tonnes last year—the lowest level since 1975. Clever marketing by the Russians enabled them to meet their foreign excbange targets without having to sell anywhere near as much gold as in the previous year.

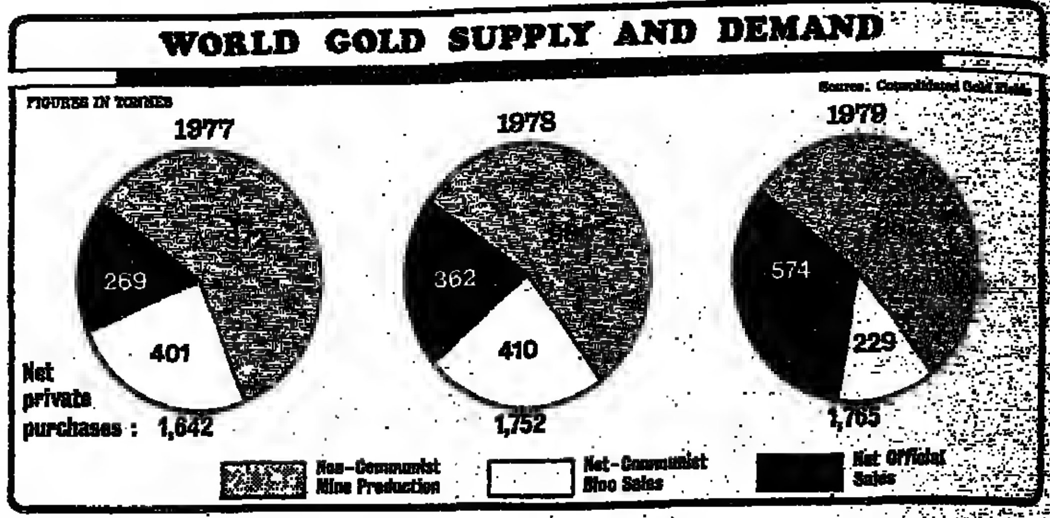
In the current year gold supplies to the free market are going to be significantly curtailed—a sharp contrast to the rising trend in recent years. In its latest annual report the giant Anglo American group sketches out its thoughts on the short-term cutlook for gold supply as follows:

"The U.S. Treasury, with the stated policy of selling gold only to protect a weak dollar, is unlikely to hold furtber auctions for the time being. Further IMF sales after the completion of the current programme in May are improbable pending resolution of the structure and mechanics - of its proposed substitution account . . ."

While the political considerations affecting the supply of gold ara very important in the short term, over the long term the rising price of gold will have an equally important impact.

Tn an outsider higher gold prices would be expacted to lead to higher gold production but in a market dominated by South Africa and the Soviet Union this does not always happen. Gold is a scarce commodity and, paradoxically, higher prices often lead to lower supplies as the producers harbour their reserves. The Soviet Union's recent marketing strategy amply reflects this philosophy.

To get a proper feeling for the outlook for gold supplies over the long term, it is necessary to identify bow much of the metal is in existence. It is often overlooked that since it is virtually indestructible most of the 100,000 tonnes or so of gold that has been mined since 4000 BC are still in existence.



Proverbial

Soma of it will be buried in the proverbial hole in the ground. Some will be tied np in people's teeth or alectronic gadgets and hence locked up. Nevertheless, a large amount of the gold in existence could potentially be supplied to tha market if the price were right. Of this total, central banks and the IMF own some 35,000 tonnes. This is equal to 35 years' annnal free world mine production and worth around $690bn at today's prices.

Aside from the amount of gold that has been stockpiled or boarded, the other key factor in any analysis of future gold supply is the size of the gold reserves in the ground. This js complicated by the fact that relatively little is known about the extent nf the Soviet and Chinese underground reserves.

The U.S. Bureau of Mines has put the world resonrces of gold at 1.9bn ounces, of which South Africa has roughly balf. The South African Minerals Bureau has estimated that Sonth Africa'a gold reserves amount to 16,500 tonnes, around the same order of magnitude as that of the U.S. Burean of Mines.

These estimates are conservative and much depends on the price of gold and its relationship to mining costs. At certain price levels even tha lowest grade ore can he exploited, which will greatly increase reserves.

At the moment Sonth African prodnction is expected to creep up from its current level of around 700 tonnes per annum to around 750 tonnes by 1985, according to the South African Chamber of Mines. By contrast, Dr. Dirk Neethling of tha South African Department of Mineral and Energy Affairs, recently forecast that output will drop to 676 tonnes by 1985.

Beyond 1985 there is an even greater divergence of opinion abont the gold supply of the world's biggest producer. Under one set of assumptions the Chamber of Mines recently forecast that South African gold output would stay at current levels until 1987 and after that would fall away to 350 tonnes per annum by the end nf the century—half of current outpnt levels.

Clearly, any analysis of Sonth Africa's future supply potential depends very much on one's assumptions about future price ıevels and even then there is considerable uncertainty.

In a recent bulletin the Chamber of Mines analysed how higher gold prices had affected production over tha last few years. Taking 1972 as the base date it indexed the gold price, gold production, the grade of ore mined and the tonnes milled.

Over the period the gold price has more than quadrupled, but output has dropped by about 25 per cent and the tonnes of rock milled have increased by 16 per cent.

As prices rise the industry mines lower grade ore. Over the eight-year period the average grade of ora mined has fallen by 40 per cent to 8.22 grammes per tonne.

Soaring

Another factor which complicates the supply equation is the soaring cost of establishing a new mina. Companies bave to decide whether the capital operating costs are going to rise faster than the price of gold.

Construction of Elandsrand, South Africa's latest producer, waa started in 1975 and cost around $240m by the time the first bar of gold was produced. When it reaches its milling level of 135,000 tnnnes per month, the total cost will have risen to aronnd $340m. At current prices a similar mine, if built today would cost around $550m. While South Africa is likely to remain the world's major gold prodncer (but not necessarily supplier), for tha foreseeable future it will be interesting to see bow the higher gold prices affect production in other parts of the world.

In the Soviet Union, which controls the biggest gold mine in the world at Muruntau, Consolidated Gold Fields estimates that production is running at between 280 tonnes and 350 tonnes per annum. As it becomes obliged to import more oil during the 1980s the Soviet Union may decide to increase its gold production so that it can earn more foreign exchange.

China is another intriguing area of potential gold supply, about which little is known. Mr. Michael Beckett, an executive director of Consolidated Gold Fields, recently estimated at a Canadian conference that China was producing between 30 and 60 tonnes per annum.

However, no one is sure and on closer inspection the analysts might have to revise their supply estimates radically as they have had to do with Brazil, which is now producing two thirds mnre gold than was earlier thought.

Zimbabwe is another area which could possibly expand its gold supply. According to the U.S. Bureau of Mines, it has gold reserves of 15m troy ounces.

William Hall

Appeal of futures market firmly established

GOLD FUTURES provide investors with a low-cost means of lovesting in bullion. Whereas a spot purchase involves the immediate outlay of the full price of the metal, together with storage and insurance charges over the period for which the gold is held, the cost to the futures investor is confined to the margin together with a small turnround commission.

It is thus not surprising that the futures market for gold in the United States bas blossomed since its inception at the end of 1974, when it became legal for American citizens to own gold.

The Unlted States is in fact the main centre for gold futures trading, though futures contracts may also be purchased on the Winnipeg Exchange as well as in Singapore and Sydney (where trading is restricted to Australian citizens). Hong Kong announced plans early this year for the astablisbment of a gold futures contract in the colony, and plans for such a venture bave also been discussed in London.

As with other commodity markets, the gold futures market fulfils a useful function for producers and users of physical metal. Jewellers, for example, can hedge against a future rise in the price of bullion by buying forward, while producers can bedge against price falls by selling future output forward.

Guarantee

In this connection it is interesting to note that South Africa bas recently agreed to allow mining companies to bedge on tha bullion futures market. This would not affect the sale of the country's pbysical gold production, which is handlad by the South African central bank, but it would allow companias with bigh mining costs to lock into a price level high enough to guarantee a profit on production that would otherwise be marginal.

The main players on the futures markets remain, however, investors who attempt to make a turn out of price movements in the matal without actually owning any nf it themselves. It has been estimated that pcrhaps only about 3 per cent of gold futures contracts actually lead to physical delivery of the metal at maturity.

As might hc expected with a commodity as vnlatile in price as gold, the profits that can be made on the futures market are enormous. So, of course, are the pitfalls, and it could well be argued that the separation of the tutures and physical market is an additional risk for futures investors in the gold market.

While the major centre for futures trading ia in North Amorica, the physical market is beavily concentrated in Europe. The world's largest producer South Africa, sells its bullion mainly through London and Zurich, while the Soviet Union, which bas at times been a very major seller, sells basically through the Zurich market.

This gives banks in these centres a much more complete picture of tha actual supply/demand position in the physical market than is normally available to an investor on the other side of the Atlantic. Indeed, some Swiss bankers have traditionally been inclined to scoff at those who "trade bits of paper" on tha futures markets.

But Swiss banks have also heen known to participate in the futures markets, and despite the pitfalls it is quite clear that these markets are now very well established.

Turnover on the International Metal Market, for example, which was only 406,968 contracts in the first full year of trading in 1975, rose last year to a record 3.6m contracts. In the first half of this year volume dipped as a result of the slide in the bullion price, but officials expect that with the renewed firmness of the metal in recent weeks volume should pick up again in the second half.

Other exchanges in the U.S. which handle gold futures are the Chicago Board of Trade, the New York Comex and the New York Mercantile Exchange.

Peter Montagnon

Debate over monetary role

FOR ALMOST a decade gold has been officially removed from the centre of the international monetary stage. Yat i the wings —or perhaps, more appropriately, under the boards, rather like tha ghost of Hamlet's father—tha spirit lingers on. It is certainly ironic that two important initiatives aimed at bringing more order to international monetary arrangements —the European Monatary System (EMS) and the International Monetary Fund's plans for a substitution account—both involved a key role for the yellow metal.

The EMS was set up in March last year ot promote a European zone of exchange rate stability—an aim which, up to now anyway, has met with striking success. Many of the technical aspects of the exchange rate mechanism were in fact little different from those of its forerunner, the European "snake." The scheme did, however, contain the important innovation of allowing EEC member conntries, under certain conditions, to mobilise part of their gold reserves, providing a dramatic example of how the metal can still provide a monetary crutch for countries in balance of payments difficulties.

The substitution account aimed to boost the importance in world reserves of the Special Drawing Rights (SDR) by allowing central banks to exchange unwanted dollars for assets issued by the International Monetary Fund (IMF) and denominated in its camposite currency unit. The idea, which has been touted around the international Finance Ministers' circuit for a number of years, received a setback at the IMF meeting in Hamburg in April when it was decided to put the scheme on ice.

Even though the international community has decided — for the moment at least — that it does not want to put the plan into operation, the IMF proposals to use gold to help support the substitution account were important for two reasons.

First, they portrayed a change in the official attitude towards gold. Along with nearly everybody else, the IMF now recognises that the enormous price surge during the past 18 months has greatly increased the use to which existing monetary stocks of the metal can he put to underwrite "stabilisation" schemes.

Second, just like implementation of the EMS, the IMF's proposals have had important implications for supply and demand on the gold market. Because more gold looks likely to be tied up in schemes which allow reserves to he effectively mobilised without being physically sold, the market has adjusted itself to the likelihood that gold sales, either by the IMF or hy the central banks themselves, will ba fairly restrained over the next few years.

Envisaged

The gold link in the substitution account arose because the Fund needed to cover the exchange rate risk that would inevitably accrue from the operation. The scheme envisaged that the Fund would take in dollars (which were to he invested in U.S. Treasury bills) in exchange for liabilitics denominated in SDRs. This gave rise to worries that the Fund could make losses as a result of mis-matching assets and liabilities.

The proposal put forward by the IMF staff waa to earmark part of the Fund's stocks of gold to cover a portion of any potential losses. (It was disagreement on the extent to which the U.S. should cover the rest of any possible losses that led to the downfall of the plan at the Hamburg meeting.

In May the IMF completed a four-year programme of gold sales whose proceeds were devoted to balance of payments help for needy countries. As part of a package deal to win tha developing countries' support for the substitution account, the IMF proposed in Hamburg that the sales be continued this year and next. But the deal fell apart; now there is uncertainty about what will happen to the Fund's remaining stocks of gold.

Apart from their possible employment in a modified version of the substitution account, they may be used to finance interest rate subsidies for IMF loans to poorer countries. Either way the gold market has reacted to the lack of any firm sales plans by marking up the price.

Gold has had an even more direct effect on the market as a result of its usa within the EMS. The metal's importance in the scheme derives from its role in helping to back up tbe Enropean Currency Units (ECUs) which now form a substantial part of member countries' convertible currency reserves. Under the rules setting op the system, which were finally agreed at the EEC summit in Brussels in December, 1978, ECUs are distributed among member central banks to provide a means of settling intervention debts and carrying other official transactions. Central hanks obtain their ECU holdings in exchange for depositing 20 per cent of their gold and dollar reserves in a central pool at the European Monetary Co-operation Fund.

The swapping of 20 per cent of dollar reserves for the new currency units—a composite "cocktail" based on an amalgam of EEC currencies—amounted to no more than the exchange of one convertible currency asset for another. It had no net effect on EEC central banks' liquidity.

But the rola of gold in the arrangement was anotber matter altogether. It significantly increased the usability of tha EEC's reserve holdings.

Previously, gold in the vaults of EEC central banks played only a passive role. After all, gold might bave a certain value according to the international market price — but obtaining that price was not so simple. Gnld sales by central banks would tend to depress the price and migbt also be interpreted politically both at bome and abroad as a sign of weakness—which bas been one reason why sucb sales bave heen few and far hetween.

The gold-into-ECUs arrangement has, bowever, provided the central banks with a painless way of mohilising their gold boldings without the need to sell any of their stocks—or even to communicate such transactions to the public at large who, not suprisingly, fail to attach much significance to fluctuations in ECU boldings.

The price at which gold stocks are exchanged for ECUs has obviously heen of crucial importanca. Before the setting up of the EMS, the West German Bundesbank and other central banks which had traditionally been "neutral" on the monetary role of gold bad originally favoured a formula based on a disconnt from the market price. This waa in line with previous procedures where gold had been osed as collateral for foreign loans by Italy and Portugal. But the view of the French Government — that the price ahould be even more in line with market levels—won the day.

As a result the formula adopted since the EMS's inception is for the gold used in the ECU swap to be revalued every three months at tbe average of the market price during the preceding six months, or the price on the penultimate day, whichever is the lower. The 200 per cent rise in the gold price since the beginning of 1979 bas thus had an enormous impact on the usable liquidity of Common Market control banks.

When the technical arrangements for the EMS were first discussed at the EEC summit in Bremen in June 1978, a figure of \$25bn was advanced for the creation of ECUs from the exchange of 20 per cent of member countries' gold and dollar reserves. In fact, total ECU boldings now amount to some \$60hn, mainly because of a massive increase in the gold components.

It was hardly surprising that this hack-door remonetisation of the metal should have attracted some criticism from the "de-monetisers" in tha U.S. Treasury when the scheme was first pnt into place. One reason why such misgivings have not been made more public is perhaps because, of the important gold-owning countries in the EEC, only Belgium has np to now made much use of its ECU holdings to finance intervention on the exchange markets. If France or Italy (whose currencles up to now have been stable within the EMS) were to resort in a big way to their gold-backed currency units in order to shore up the franc or the lira, there might be more complaints from the de-monetisation camp.

Doubts

Already, however, some central bankers within the EEC —predictably those who do not consider that support for *their* currencies will be a priority over the next 12 months—have voiced doubts about the antomatic way in which a rise in the gold price leads to a rise in central bank liquidity. Both the Germans and the Dutch believe that the gold link might encourage some countries whose currencies come under pressure to postpone devaluation or other adjustment measures.

The desire of Germany's Bundesbank in particular for a modification of the gold valuation formula will, however, probably have to wait until the EMS proceeds to its mucb-vaunted second stage. This is the sctting up of a European Monetary Fund as a fully fledged "European central bank" to administer, among otber things, tbe partial pooling of reserves.

But it bas already become clear that the establisbment of the EMF—and with it the cbance to reform the gold valuation formula—will be delayed until well beyond the original target date of March next year. Meanwhile most central hanks in the EEC—perbaps even the stability-minded Germans—will hardly be sbedding too many tears over the greatly increased value of their bullion holdings. If paper money goes on depreciating, at least Western central hankers can seek solace in their inflation-indexed gold reserves.

David Marsh

Coins begin to need deep pockets

BULLION COINS are possibly the simplest and certainly the most popular medium for gold-hungry private investors. They are easy to store and mostly easy to trade and in this country purchasers of legal tender coins (such as UK sovereigns, South African krugerrands and Canadian Maple Leafs) do not have to pay VAT. Investors who buy gold bars are not so lucky.

Gold coins, moreover, tend to come in units sufficiently low-prlced to appeal to the man in the street. Sovereigns, for instance, which contain a quarter of an ounce troy of gold, have been trading receotly at around £65-£70, though it is perhaps ironic to note that the sharp rise in the bullion price early this year, which drew attention so spectacularly to the metal's investment attractions, now seems to bave left even a single one ounce krugerrand beyond the reacb of many pockets.

The high price of the coin, in fact, was partly blamed for the 50 per cent fall in krugerrand sales to 1.14m coins over the first six months of this year, though the South African Government has sbown its determination to satisfy the small man's appetite hy announcing plans to mint one tenth, quarter and half ounce krugerrands.

South Africa is easily the world's largest producer of gold coins, though other countries, notably the UK, Canada and Mexico, are demonstrating a lively interest in this market. In 1979, for example, the volume of gold used in official South African coins fell from its 1978 peak of 193.6 tonnes to 145.4 tonnes. Over the same period the UK increased its output from 49.1 tonnes to 57.6 tonnes, Mexico doubled its production to 45.6 tonnes and Canada turned out 35.0 tonnes, substantially more than the 4.6 tonnes in 1978. The sovereign, the Mexican gold peso and Canadian Maple Leaf are by no means letting krugerrands have it all their own way.

Marketing

The krugerrand bas its origins in the attempts to demonetise gold from the time of the Bretton Woods Agreement in 1944. These encouraged the Chamber of Mines of South Africa, which represants the collective interests of the country's mining industry, to find new ways of marketing gold in a form which once sold would keep the metal off the market.

The first step, although not so recognised at the time, was the striking of 7,000 one ounce medallions which were sold by the South African Mint. The concept of the one ounca coin —initially called the Trojan to emphasise that it contained one troy ounce of gold—did not surface until 1964 and the "krugerrand," a name derived to replace the unsatisfactory "Trojan," was finally born in 1966. The coins struck between 1967 and 1969 were proof-like, high quality coins sold at high prices to coin collectors, but in the wake of disappointing sales the decision was taken in 1970 to mint larger quantities of non-numismatic items, available to the wider public at a small premium.

The success of the krugerrand markating effort over the last ten years is evindent in tha sales figures. In 1970 total krugerrand sales amounted to 211,018 climbing steadily from then on to 4.8m in 1975. In 1976 and 1977, as the world recovered from the traumas of recession, tha figures slipped back before reaching a peak 6m in 1978. The 4.94m coins sold last year reflects the lower proportion of South Africa's gold output which went into coin manufacture.

The major krugerrand markets recently have been the U.S. and Germany—the surged in sales towards the end of last year was largely attributabla to the West German Government's anoouncement that VAT would be payable there on krugerrand transactions in 1980, another reason wby sales so far this year bave been disappointing.

The UK's record year for coin production includes 51 metric tonnes used to strike ordinary sovereigns (known as "lizzies") and a further seven tonnes used for "proof" sovereigns. The limited issue of 50,000 1979 "proof" sovereigns were quickly swallowed up by eager investors and numismatists and the 1980 issue of 100,000 coins is currently doing well. The market in some numismatic coins, which obviously tend to command a premium over the value of their intrinsic gold content, can be thin, but as a rule prices are less volatile than those of the mass-prodnced "lizzies."

Manufacturer

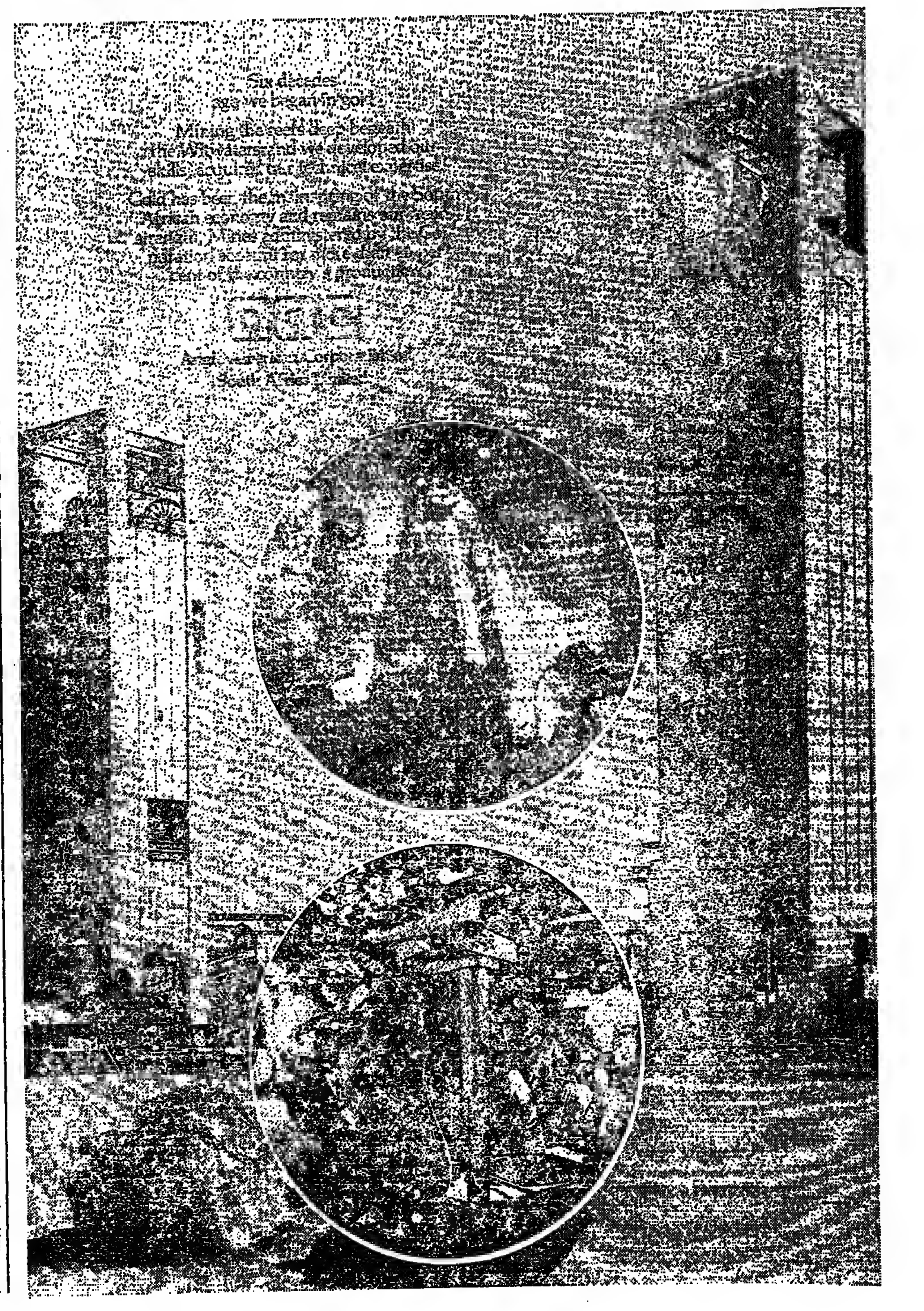
UK sovereigns are struck by the Royal Mint at its premises in Llantrisant, South Wales, with gold provided from the UK's reserves by the Bank of England. Rhe Royal Mint in thia context simply acts as the manufacturer and is paid an undisclosed fee for its services.

The Bank of England, meanwhile, distributes the coins througb the London bullion houses,hiuses, taking a premium above the gold price which covers its costs and provides a profit. Gold, meanwbile, is purchasad in the open market so that at the end of the day there is no net diminution of the reserves. Sales figures (as opposed to production figures) are not available but it is known that the Bank of England would like to reduce the premium charged on tha coins, currently about 8-9 per cent, to bring it more into line with the 3-5 per cent premium of krugerrands.

Gold boarding in the UK, bowever, is anyway not as strong as it is elsewhere in the world, according to Mr. Michael Marsh of bullion dealers Johnson Matthey. "In Continental countries, where there is a history of invasions and incursions, people are quite used to stuffing coins and gold bars under their mattress. In this country there is also a great deal of ignorance about commodities, which are considered 'speculative,' while stocks and shares are thought to be 'safe.'"

According to Mr. David Potts, the gold analyst at Consolidated Gold Fields, "the higher gold prices experienced so far this year make it unlikely that world coin production will exceed the total recorded for 1979." On the other hand the excitement of the gold market has both awakened investment interest in the metal and increased governments' awareness that gold coins can provide a useful source of extra revenue.

Tim Dickson



GOLD IV

Trading goes on round the clock

THE MAJOR gold markets around the world have little nbvious reason for their pre-eminence beyond the fact that they tend to coincide with financial centres wbere a concentration of funds is seeking opportuoities for investment. London, Zurich and Hong Kong meet this criterion: the most obvious absentee is New York, whicb has only recently begun to emerge as a trading centre nf importaoce.

Yet the presumption that gold must he traded in this or that discrete centre is growing steadily more obsolete. In the course of the past decade the gold market has become an increasiogly global affair. The major trading houses are now equipped to follow the market around the world on a 24-hour basis. Tbe increasing prominence of gold as an investmenl for troubled times has also encouraged trading to develop in places like Tokyo, Singapore and Frankfurt, where wealth is very much in evidence but where there was, until recently, no tradition of gold trading.

In terms of tbe primary supply of gold it is only really London and Zurich which have establisbed themselves as key centres where new gold is introduced into tbe system. London's position in the market is due to its traditions as a bandling centre for South African gold. Indeed in the days when London was the centre of the world's monelary system and when gold was the basis of tbat system, bandling was the only job which London bullion firms had to do. The price was ao immovable function of the Gold Standard, so there was no need for a market in the price-making sense of the word.

Between the years 1919—when, with the first crumbling of the gold standard, it became necessary to establisb a "best price" for South African gold—and 1968, when the last-ditch attempt to bold to an official price collapsed, there was no rival lo the London market. This was not only because all South African gold passed througb London, but also because it was in Loodon that the Western central hanks, operating in the closing stages through the gold pool, tried to sustain the official price.

Overwhelmed

Zurich's rise relative to London reflected the way in which these official market participants, wbo dominated the working of the London market, were overwhelmed by the pressures of speculation by the Investors who dominated the one in Zurich. It was partly because of the speculative pressure expressed through Zurich tbat the London gold market was prompted to re-open in 1954.

Then, in 1968, when the gold market in London was closed with the collapse of the gold pool's efforts to sustain the official gold price of $35 an ounce, Zuricb staged a coup which made it the leading gold trading centre in the world. During the two-week closure of London the big three Swiss banks seized the initiative and formed the Zurich gold pool.

By adopting a united front tbey were able to swing the South African gold output in their direction. In 1969 they won the right to handle the whole of the South African output by bravely offering to take all that country's new gold at what were, at times, premium prices. This investment paid off, partly because South Africa was peeved by the UK's anti-apartheid stance.

Since 1972 the Soviet Union has added to the supply of primary gold to Zurich, selling a large part of its variable annual output through the Zurich-based Wozchod Handelsbank. But in recent years it seems that Zuricb's position as the focus of the supply of new gold has been somewhat diminished; first because South Africa bas diverted a small proportion of its annual sale back to London — some observers say about 20 per cent and some more to New York —and secondly because there is a suspicion that the Soviet Union is now selling through otber outlets, including direct placement with Arab investors. Swiss bankers are reputed, nevertheless, to play an important part in selling Soviet gold, even though these sales may no longer be exclusively through the now much-publicesd Wozcbod.

Both the Zuricb and London markets produce prices which bave becomc established as bencb-marks for the gold business every day. In London this tbe twice daily "fixing," while in Zurich there is the pool price. The difference between tbese two reference prices reflects the difference in character of the two markets.

The five members of the London gold market act chiefly as agents rather than principals. The fixing represents the price at which a put-througb from many sellers to many buyers is arranged twice daily. It is therefore a price at which a transaction bas taken place. The Zurich gold pool price—in contrast—Is a market qnotation with a spread between the bid and the offer prices, whose significance is that it is made by the biggest collective dealer in the gold business—the combined power of the big three Swiss banks.

Hong Kong has emerged as the major market in the East largely because It is the centre through which East Asian countries match their surplus supplies and demands and channel tbeir overall surpluses or requirements on to the world market.

Hong Kong already has three markets and is about to get a fourth. The longest establisbed market is the Chinese Gold and Silver Exchange which trades gold in taels (the Chineae measurement of weight) and in Hong Kong dollars. This is essentially a spot market, although positions can be carried forward indefinitely on a day-to-day basis on the payment of a premium. This makes it a de facto futures market as well.

The second market is the "loco London" market. This is the market which reflects the global spread of the world's main bullion dealers. It is a spot market for gold, priced as for deliverey in London, but trading eight hours ahead of the London opening.

The third Hong Kong market is the "local Comex"—an offshoot of the New York Commodities Exchange gold futures market. This is an out-of-hours market run informally by some of the big commodity trading houses which trade on the New York Comex but which have operations in Hong Kong.

Newcomer

The newcomer, which will open shortly, is the Hong Kong Commodity Exchange's controversial gold futures market. The Government of Hong Kong is behind the scheme—hoping that it will reinforce Hong Kong's attraction as a financial centre—but there has been strong opposition from the Chinese Gold and Silver Exchange. The new market will be modelled closely on the system used in New York and will probably trade in U.S. dollars to heighten its attractions for the gold trading establishment.

New York's development as a gold trading centre began only in 1974 when U.S. citizens were given the right to hold the metal. It was characteristically American to view gold as a commodity and equally characteristic to set up a futures market in that commodity. The main U.S. futures trading centres were established in Chicago and New York. Over the last three years of violent movements in the gold price the U.S. futures market began to exert a very visible influence on the spot price. This hastened the moves of the European dealers to establish New York operations and has also provided the impetus behind plans to open a futures market in London.

The rise of the New York futures market has created a need for a parallel New York market for "loco London" gold in rather the same way that this exists in Hong Kong. It has emerged with increasing strength in the last 18 months. Republic National Bank, Aron and Phillipp Brothers are major U.S. participants, with Morgan Guaranty and Citibank also showing signs of greater involvement. Four of the five members of the London gold market are also present in New York to participate.

Nicholas Colchester

Trade demand cut by high price

IF YOU WANT to keep your deotist happy—and who doesn't?—don't regale bim with an account of how your krugerrands have gone up in value. Above all, if gold fillings are meutioned, don't make flippant remarks about "puttiog your money where your mouth is." He will not be emused.

While last year's edvance in the price of gold fully justified the actions of those investors who bought bullion as a hedge against the falling value of currency and the general economic and political uncertainties, which still prevail, it made life increasingly difficult for those wbo have to buy the metal for professional or industrial purposes.

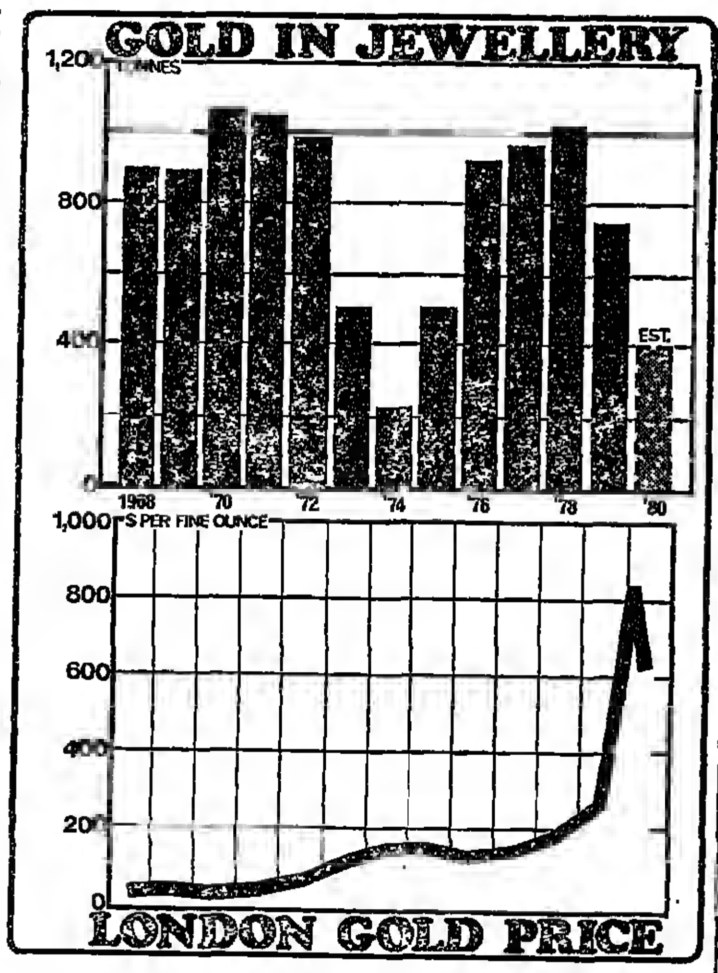
These industrial uses of gold account for a larger proportion than you may think of the total supply. In 1978 the supplies of gold to the non-communist world amounted to some 1,752 tonnes. What may be described as investment demand absorbed less tban half this total.

The larger share, of about 1,258 tonnes, was laken up by jewellery (1,007 tonnes), electronics (86 tonnes), dentistry (89 tonnes) and "other industrial-decorative uses" (76 tonoes).

This adds up to a big market, especially in teroıs of the rise in the price of the metal: for last year, Gold 1980 put the total Western supply a little higher at 1,765 tonnes, of which the non-investment sector took a smaller 992 tonnes.

The fall occurred almost entirely in the carat jewellery trade, which absorbed only 737 tonnes. Price resistance hit the High Street jewellers. Furthermore, Potts reekons that this year the jewellery share of the offtake could fall even further to around only 400 tonnes.

But he is talking about "new" gold. In Hation Garden they will explain that this is distinct from the supplies arising from melted-down scrap which reach the jewellery trade. Nobody knows, or will say, just how large a portion of the total gold supply to the manufacturing industry is made up of this recycled metal.



Estimated

But it has been estimated that world-wide sales of gold from existing stocks of bullion and jewellery came to around 150 tonnes in the first three months of this year.

It has always been around, of course, but in past years it has made a relatively small contribution to the total supply. The big change came last year when soaring prices of gold and silver led to queues of sellers outside the offices of precious metal refiners, Johnson Matthey, eager to exchange old gold articles and dented silver tea pots for hard cash. "The Garden" had never seen anything like it.

The refiners worked overtime to melt down and refine this weight of metal which is "old" only in its origins. But it is going into new jeweliery and the estimate of only 400 tonnes of "new" gold going into jewellery this year does not include a probably much higher than usual amount of recycled "scrap" gold.

Just how much has the gold jewellery trade suffered? A fair guide comes from the assay offices in the UK which report a decrease of some 50 per cent in the items they have hallmarked this year. The Loodon Assay Office has been working a fnur-day week since mid-May and there have heen redundancies in the Birmingham Assay Office.

The last time high prices hit the demand for gold from jewellery manufacturers was in 1974 when the rise in gold was largely a reflectioo of the weakness in the American dollar. This time gold has been going up in terms of almnst all currencies.

Thus the world jewellery trade has been hit. The fall in sales of the metal to jewellery manufacturers on a world scale probably averages around 50 per cent. There is little sign of il recovering at the moment, althnugh things are believed to he picking up a little in West Germany.

But world retail sales of gold jewellery have not suffered as much as sales of the metal to the jewellery manufacturers; the decline in hall-marking in Britain covers all precious metals, including silver, whicb soared even higher in price tban gold before crashing back to earth.

While they are bardly buoyant, gold jewellery sales in the High Streets have been belped by the fact that e fair amount of old stocks acquired last year at lower gold prices had been accumulated and retail prices of these Items have remained relatively stable.

The full reckoning may be yet to come, however. Having the benefit of these "old" stocks, retailers delayed re-ordering during the earlier part of this year, anticipating that the high bullion prices of up to $850 per ounce were set for a sharp fall. They read the market correctly, hut the worst of the fall proved to be short-lived.

New stocks at the retailers will therefore be more expensive, and with the economic recession the pre-Cbristmas trade will prove to be a real testing time. Unless the gold price is about to enter a sbarp downtrend, whicb seems unlikely, it is difficult to be optimistic about trade prospects for the next few months at least.

Future demand by the electronics industry is difficult to assess. Broadly, gold is used for its electrical conductivity and non-corrosive properties in a variety of applications, notably in switching.

Cheaper alternative materials exist, such as the platinum group metal palladium, and it seems reasonable to expect some substitution, though it is claimed that tbe amount of gold used on, say, the printed circuit boards of a compuler is so small that an increase in the price of gold should not make much difference to the total cost of the system.

Reduced

And what of our dentist? Over the years the amount of gold used in dentistry has been reduced wbere possible, but for most of its dental applications in the non-cosmetic field there is no really satisfactory substitute. Gold teeth, of course, are relatively rare tbese days.

In Britain at least, the National Health Service recognises the importance of gold in dentistry and patients are not penalised for its cost. Private patients will probably have to pay a little more for tbe gold used but it still forms only a small part of the total treatment costs. Tbe situation may be different in countries like West Germany, for example, whicb last year used 35 times as much gold for dentistry as did the UK. So, like his patients, our dentist will no doubt be able to grin and bear it.

Kenneth Marston
Mining Editor

Concealed buffer for central banks

THE MOST publicised beneficiaries of the dramatic rise in the gold price at the turn of tha year were the supplier countries and a few quick-footed speculators.

Yet the gains of the punters were trivial in comparison with the book profits of the central banks of the industrial world. The real value of their reserves soared but the extent of the profit was often masked by a policy of valuing gold reserves at a generally unrealistic price.

It is most curious that central bankers have agonised for decades over the role to be played by gold in the international monetary system, and yet have failed to reach a consensus about how the commodity should be valued.

Tha effect haa been to conceal a massive rise in international liquidity and a ahift in the weight of reserves away from the developing countries and towards the industrialised nations. The IMF'a objective of building up the SDR as a reserve asset at the expense of gold has been largely thwarted by the play of market forces.

Since the suspension of dollar/gold convertibllity in 1971 central banks have applied a variety of prices to the valuation of their gold boldings. A few countries still use a figure close to the old Bretton Woods price of $35 per ounce. Malta valnes its gold at $34.99 per ounce, the lowest of any central bank.

A much more common price is $42.22 per ounce, an official rate established after the dollar devaluation of early 1973. The U.S., which despite substantial gold anctions during the past few years, still holds around a quarter of the world's gold reserves, continues to apply this figure to its holdings. Belgium, with around 4 per cent of reserves. is the other major gold holder to adopt this method.

The decision by the U.S. to persist with this highly anachronistic price is in part political. Throughout the 1960s it argued strongly for the demonetisation of gold, a position opposed by France in particular, and it has not abandoned this stance. To place a market valne on its own gold holdings would he a tacit recognition of the growing importance of the metal in the international monetary system.

Conversion

The official price accepted by the largest group of countries is 35 SDRs, though none of the central banks employing this conversion rate counts among the major gold holders. Of the aeven central banks which together hold three-quarters of tha world's gold reserves, all but Belgium and the U.S. convert at a price considerably in excess of any official price. These are West Germany (with 11.8 per cent of world reserves), France (10.1 per cent), Switzerland (8.3 per cent), Italy (8.2 per cent) and the Netherlands (5.4 per cent). The percentage figures, supplied by the IMF, are calculated on holdings at the end of September last year.

There is, however, little unanimity among these countries. Clearly, when the gold price fluctuates dramatically it would he impractical and even misleading for central banks to value their reserves according to the latest market price. None the lesa, there is a striking divergence between those countries such as France which revalue their holdings on a regular basis in the light of average market prices and those which like West Germany continually employ an artificial value.

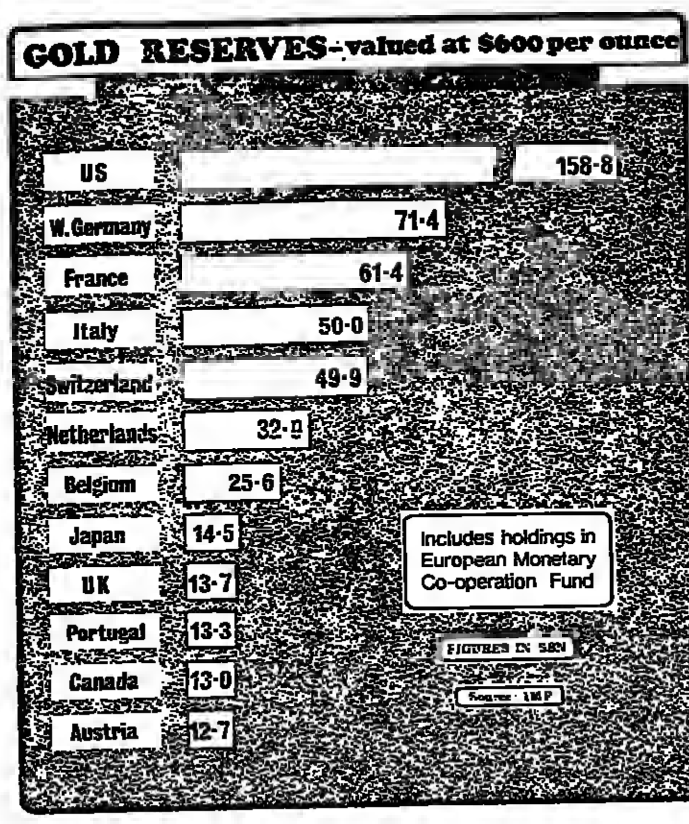
The IMF, which abandoned the idea of an official gold price five years ago, now publisbes information on both the level of reserves held hy central hanks and the methods nsed to value them. In August of last year, bowever, the IMF also hegan to publish figures for "total reserves minus gold," which at least appears to suggest that it is itself unahle to determine an appropriate valuation.

The picture is further complicated by the fact that while central banks hold their reserves at a variety of valuations, they conduct transactions in gold at market prices. The U.S., for example, has sold gold at more than 10 times its own book price.

Similiarly, when Italy used gold as collateral for a $2bn loan from West German in 1974, the central banks of the two countries agreed on a valuation equivalent to 80 per cent of the then market price. The most dramatic recent example of such anomalies was the arrangement within the European Monetary system under which EEC countries exchanged 20 per cent of their gold and foreign exchange reserves for holdings of European currency units. This transaction increased the value of EEC reserves by 11bn SDR overnight as a result of the necessary gold revaluation.

Confusing

Tha pattern of central bank gold valuation is not merely confusing: it also produces a quite unrepresentative picture of the balance of international reserve holdings. IMF figures show that, valuing gold at 35 SDR per ounce, the proportion of world reserves held by the deevloped world dropped from 79.6 per cent to 62.2 per cent between the end of 1969 and September 1979. By contrast, the proportion held by non-oil-producing less developed countries (LDC's) rose smartly from 15.2 to 20.9 per cent.



Applying a market value to gold creates a quite different impression, however. The figure for developed nations falls only slightly to 76.3 per cent while for non-oil LDC's there is a steeper drop to 13.4 per cent. The dramatic rise of the gold price towards the end of last year would of course have exaggerated this trend.

At the same time the rise in the gold price has reasserted the metal's importance in the international reserve structure. The strong increase in world trade over the past 20 years, when compared with the much slower growth in gold reserves, has given the impression that foreign exchange boldings, particularly dollars, have superseded gold as the primary component of world reserves.

Between 1976 and 1979, however, nearly 80 per cent of the growth in the real value of world reserves was attributable to the rise in the gold price. As a result, gold had hy last year re-established its role as the principal reserve asset, accounting for 56 per cent of the total value of world reserves.

Not surprisingly, this situation is a source of bitterness among developing countries. They have been ohliged to fund substantial balance of payments deficits, created principally by the rise in oil prices, at a time when the value of their own reserves has been Increasing very slowly, if at all. The OPEC nations have nsed the oil receipts in part to hoost the proportion of their own reserves represented hy gold. Their purchases have forced up the price of gold to the benefit of industrialised nations which bave traditionally beld a large portion of their reserves in the metal. The resulting liquidity has, therefore, flowed not towards the non-oil-producing LDCs countries but towards countries with mucb less severe balance of payments difficulties.

Establishing an international uorm for the valuation of gold reserves would clearly be of no direct benefit to developing countries, and it would doubtless provoke considerahle disarray among individual members of the IMF. Yet the surge in the gold price has once again forced monetary authorities to consider the role played hy the metal in their affairs. It is hard to imagine that much progress can be made on allocating a role for it until central hankers have at least agreed on a common formula for estahlishing what an ounce is worth.

John Makinson

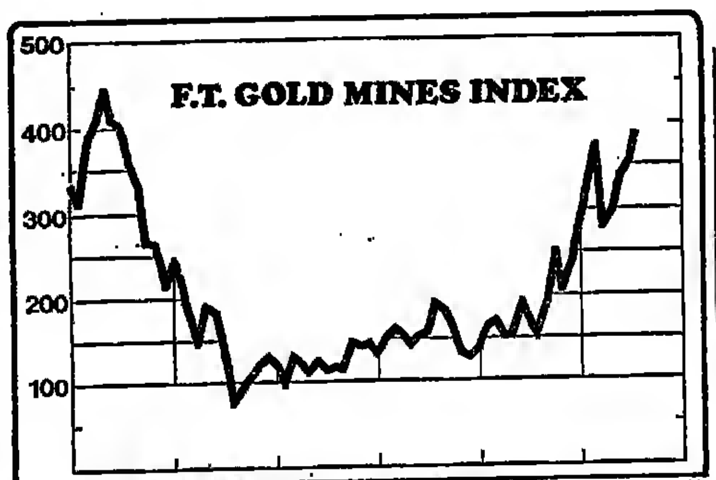
Mining shares prove good investments

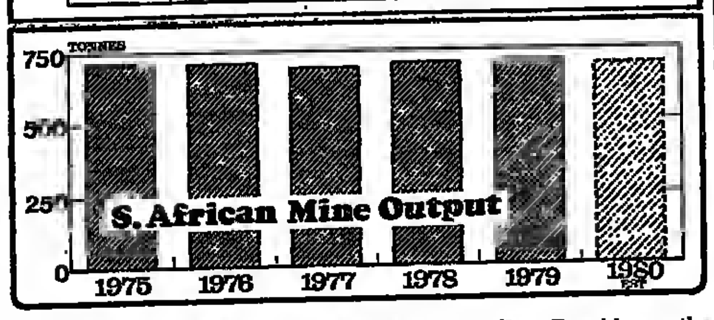
HAVE YOU made your fortune in gold, or gold shares? Maybe not, hut if you held either type of investment from the beginning of last year until, say, the earlier part of this July you must have done very nicely indeed.

Of course, there will have been others who have done even better—there always are—but let us look at three categories of gold Investment: the metal itself, shares of the Australian and Canadian mines and shares of the South African mines. Then we might take a stab at picking the best course to follow now.

If you bad plumped for the metal, the price at the beginning of 1979 was $225 per troy ounce. It was around $680 in the earlier part of this month, thus showing an increase of just over 200 per cent.

Inevitably, the performances of individual South African gold shares varied over the same period, but taking the FT Gold Mines Index as a hroad guide we find that it rose from 138 (in the days when the investment dollar premium applied to UK investors) to 374. Thus there was a gain of "only" 171 per cent.





Generous

But, unlike gold bars, gold shares usually pay dividends and in the case of the South African issues, very generous dividends. If you take these dividends into account quite a few holders of gold shares will have done hetter than if they had hought hullion.

This is remarkable when you consider that UK shareholders had to face the loss of the investment premium in share prices when exchange controls were lifted in Octoher last year. Then, too, there was the fact that part of the benefits of higb gold prices on mine earnings were offset by tha industry'a trend towards the mining of the less profitable lower grade ore.

Sharply higher mine tax charges had to be countenanced which, in South Africa, are geared to a sliding-scale formula which can take over 70 per cent of a company's profits. Above all, the share market had to live with the ever-present African political risk and there were tremors in share prices towards the end of the Rhodesian war and, more recently, after the bomh attacks on South African oil installations.

What of the non-South African gold shares? Those in Canada bave done well, of course, with Agnico-Eagle, for example, advancing from C$6 to over C$15 per share. But the most striking performance of all bas been achieved hy the handful of Australian gold ahares, the numher of which has now been swelled hy the usual crop of gold exploration bopefuls.

Of the longer-established companies the little North Kalgurli (small, that is, by South African standards) outshone the rest of the field with a nine-fold advance in the price of its shares. Gold Minea of Kalgoorlie shares rose some seven times in value during the period while Poseidon, the fallen "nickel wonder," emerged from the dapths with a gold-inspired price rise of some 450 per cent.

What do we do now? Unless we expect a fresb rise in the price of gold, we aell all the bullion and shares and reinvest the proceeds elsewhere. There are, however, good grounds for expecting that gold will go higher but there is no means of telling how far the movement will extend.

Minuscule

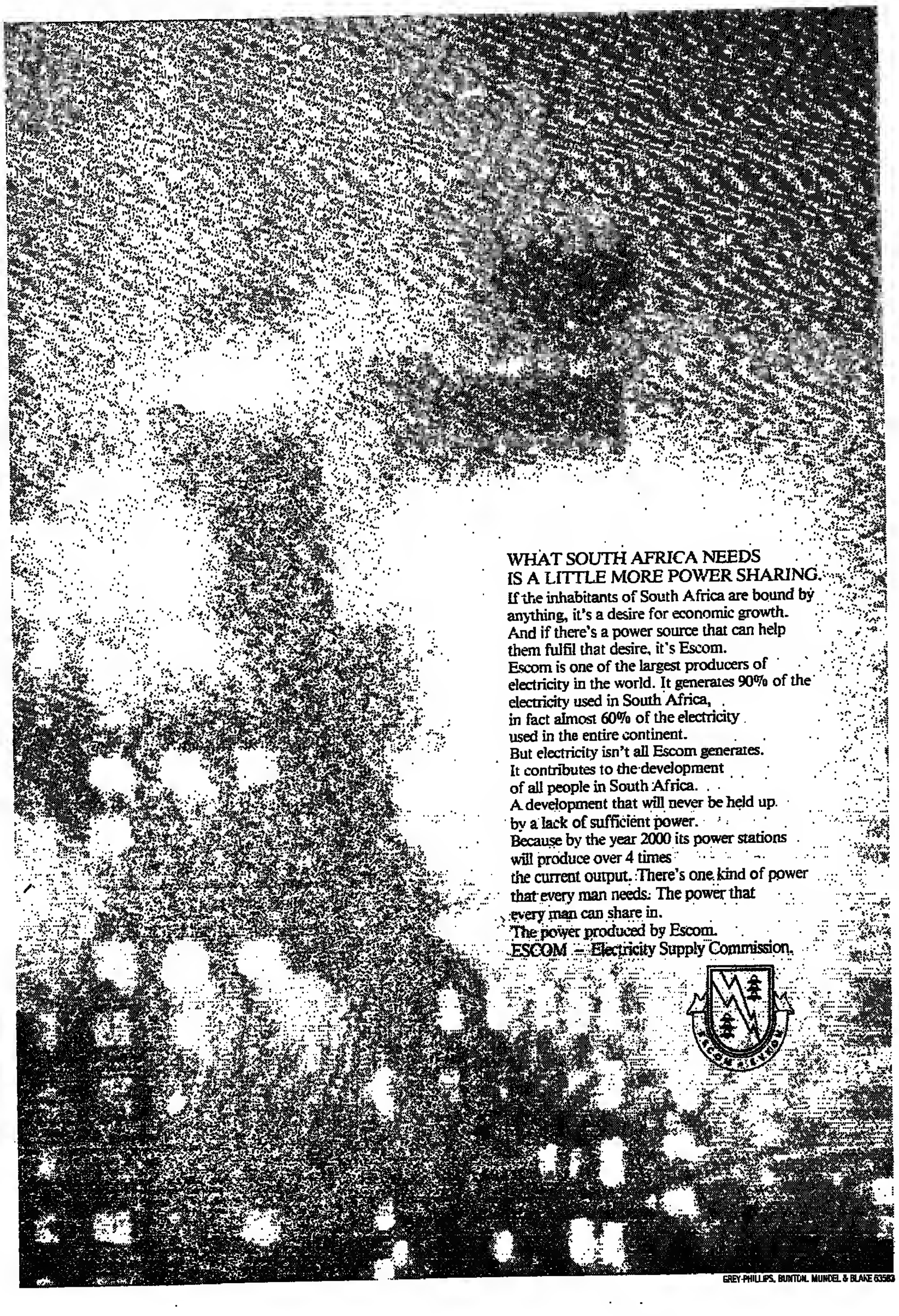
What is certain is that the price will have to stage a sizeable advance in order to justify the present inflated prices of the Canadian and, more especially, the Australian gold shares which are on a minuscule yield basis. Because a profit does not really exist until it is taken, it might now be prudent to realise a proportion of the big capital appreciation that is waiting to be realised on these shares.

South African gold shares, on the other band, are giving dividend yields of up to ahout 20 per cent at current prices—and much more if the current payments are applied to the share prices of 18 months ago—while the industry is still increasing its distrihutions.

But the spectre of further political and social unrest in Africa remains and for this reason some profit-taking seems to be indicated. Many holders will find themselves in the position whereby the sale of part of a holding will more than recoup the original capital outlay and still leave them with continuing good dividend income on shares that have, in effect, cost nothing.

If those investors, wary of South African politics, are reluctant to rednce their exposure to gold, a neat compromise would he to reinvest part of the share sale proceeds in bullion. This way they would be protected to a large extent from any guerrilla action designed to damage the mines because while it would hit share prices it would also hoost the price of the metal.

Kenneth Marston



Continued tightness of money affects Gilt-edged but equity leaders advance with GEC and Thorn in van

Account Dealing Dates
Options

*First Dealings	Declarations	Last Dealings	Account Day
July 14	July 24	July 25	Aug. 4
July 28	Aug. 7	Aug. 8	Aug. 18
Aug. 11	Aug. 28	Aug. 29	Sept. 8

* "New time" dealings may take place from 9 am two business days earlier.

The Chancellor's cautious optimism about money supply beiog under control gave no support to Gilt-edged yesterday. The market was primarily suffering from stock indigestion after the recent excessive investment demand and olso from the effects of the upward pressure on short-term interest rates, the latter resulting in a continuation yesterday of extremely tight conditions in money markets. Over the oext three weeks, calls amounting to £1.5bn fall due on existing partly-paid Government stocks.

Equity markets, in contrast, hsd a better session. Renewed institutional buyiog of electrical leaders and a few other top-name shares prompted early firmness and market confidence also benefited from an extended recovery in secondary North Sea oils. Professional operators running besr positions soon showed some anxiety and the closing of their commitments gave the advance added impetus.

Later trade was disappointing, but particular ioterest contioued to be shown in Electricals and Banks. NatWest's half-term profits, although below some analysts' projections, came as a relief after the recent drab performances of Midland and Lloyds. Properties were another of the brighter sectors with buyers still clinging to hopes of cheaper mooey sooo, while Laundries and Dry-cleaning shares also claimed attention.

Double-figure rises in GEC and Thorn EMI were exceptiooal gains in other coostitnents of the FT Industrial Ordinary share index, finally up 3.8 at the day's best of 487.9, were limited to fourpence.

Falls ranging to a point and sometimes more amoog longer-dated Governmeot securities were indicstive of fairly weighty selling, some of it forced. But the downturn was aggravsted by price mark-downs, while foreigo buyers were extremely cautious following sterling's easier trend yesterday.

Lonrho continued to dominate Traded options, contributing 369 deals to the total of 912. GEC also attracted a useful business, recording 133 trades.

Natwest below best

Having come back 25 in the seven trading dsys since Lloyds made a disappointing start to the interim dividend season, NatWest stesdied yesterday following the slightly higher first-balf profits which were deemed satisfactory in relation to Midland's poor results last Friday; a shade harder immediately in front of the figures, the price tonched 358p on them before closing at 353p with a rise of 3 on the day. Midland ended s couple of pence off at 333p, after 336p, while Barclays hardened 2 to 390p, after 392p. Elsewhere, the statie interim profits performance left Grindlays s few pence lower at 135p. Discounts moved higher on hopes of s reduction in Minimum Lending Rate tomorrow: Union rose 10 to 515p and Allen Harvey and Ross put on 5 to 425p. Manson Finance edged forward 2 to 44p in response to the higher profits in merchant Baoks where improvements of 5 were seen in Leopold Josepb, 185p, aod Schroders, 320p. Cheaper money hopes also inspired Hire Purchases. FNFC continued firmly st 27½p, up 1½, while UDT sdded 2 to 69p as did Provident Financial, to 147p.

Closing gains in Insurances ranged to 10. General Accident advanced that much to 324p, while GRE, 328p, and Snn Alliance, 720p, appreciated 6 apiece.

Scattered firm spots appeared in Buildings, BPB adding 6 to a 1980 peak of 249p and Tarmac improving 5 more to 265p. Taylor Woodrow touched 466p before closing just a penny harder at 461p; the interim results are due next week. Elsewhere, Newarthill rose 7 more to 285p in a thin market, while Federated Land added 3 to 90p and John Finlan hardeoed a couple of pence to 71p. Among Timbers, Mallinson-Denny, subject of a "dawn raid" last week, put on 2 to 70p.

Although business in ICI was slack, the price improved 4 to 374p. Other Chemicals also finished firmer for choice, Allied Colloids gaining the turn to 103p and International Paint rising 3 to 75p.

Vantona disappoint

An outstanding dull spot among Stores was provided by Vantona which fell 9 to 39p in response to sharply lower first-half profits and the cautious accompanying statement. Awaiting news from the annual meetings, W. L. Pawson eased a couple of pence to 37p, but a broker's recommendation lifted MFI 3 to 48p. Mail-orders took on a firmer stance with Freemans (London SW9) and Grattan both adding 4 to 129p and 69p respectively, while Empire hardened 2 at 170p. Continued interest was noted lo Lee Cooper, up 4 more st 124p, while Wearwell firmed 1½ to 55½p. Leading issues remained quiet. Mothercare, 240p, recovered the previous day's loss of 4 which followed adverse Press comment. A rare bright counter materialised io House of Fraser, 5 better at 141p on revived hopes of a bid from Lonrho.

Electricals became a particularly good market on renewed investment buying which prompted double-figure gains in plares. Thorn EMI stood ont with a rise of 12 to 342p, while GEC added 10 to 478p and Racal 9 to 270p. Further speculative support lifted Air Call 10 to 220p, while MK added a similar amount to 218p. Electrocomponents put on 8 to 640p and Muirhead added 7 to 119p. Standard Telephones closed only a couple of pence dearer at 400p following a Press report that the group is considering the possibility of acquiring a stake in Inmos, the Natiooal Enterprise Board's microchip subsidiary.

With the exception of Vickers, which shed 4 more to 129p on the success in its offer for Rolls-Royce, Engineering Leaders closed quietly firm. Hawker added 4 to 230p, while Tubes, 268p, and John Brown, 60½p, hsrdened around 2 apiece. Elsewhere, Acrow A rose 3 to 37p in response to news of the maintained dividend which outweighed the sharp contraction in profits. Prestwich Parker put on 5 to 42p, while similar gains were seen in Adwest, 174p, APV, 200p, and Vosper, 170p. Hampson hardened a penny more to 11p on further consideration of the good results and proposed 10 per cent scrip-issue.

Foods had J. Sainsbury 5 higher at 435p and Associated Dairies a couple of pence firmer at 200p; the latter's preliminary results are due towards the end of August. Unigate improved 3 to 128p and Rowntree Mackintosh picked up 2 to 150p.

Ladbroke, up 4 at 167p, provided the only noteworthy movement in Hotels and Caterers.

Bath & Portland fall

Bath and Portland became a notable casualty in miscellaneous industrials, falling 7 to 33p on the snnouncement that the interim results would be delayed because of escalsting problems over a contract undertaken by a subsidiary in Iran. Profit-taking in tbe absence of bid developments clipped 5 from Feedex to 41p, but renewed speculstive buying on hopes of a bid from Consolidated Goldfields left English China Clays s few pence better at 112p. Brady Industries A added 3 to 42p following the doubled annual profits, while Hollis Bros and E.S.A. edged forward a couple of pence to 34p on an investment recommendation. Laundry and dry cleaning issues came in for further useful support, Pritchard Services added 5 to 84p and Initial Services, 181p, and Johnson Group, 191p, rose 4 apiece. Rises between 11 and 16 were seen in Diploma Investments, 515p, Hoover A, 177p, Ricardo, 430p, and Sothebys, 425p, while Royal Worcester were also favoured and 9 up st 302p, after 308p. Following details of the agreed increased bid terms of 187p per share from Allegheney Ludlum, dealings in Wilkinson Match were resumed and the close was 180p compared with the 160p suspension level. Reed International touched 189p before closing s net penny better st 194p following satisfactory half-yearly figures from its subsidiary Reed Paper and in front of today's first-quarter figures. Metal Box put on 6 to 290p and Glaxo rose 4 to 226p.

A dull market since the recently-announced annual results, Dowty attracted support and rallied 7 to 226p. Lucas sdded s penny to 209p, but Flight Refuelling encountered increased profit-taking and shed 3 for a two-day fall of 13 at 270p.

Properties met renewed support on fresh hopes of a cut in interest rates in the near future. Among the leaders, Land Securities rose 6 to 368p and MEPC 3 to 231p. Great Portland Estates added 6 to 270p, while Peachey and Haslemere Estates firmed 4 apiece to 160p and 350p respectively. Stock Conversion hardened 3 to 443p awaiting today's preliminary results. Elsewhere, Rush and Tompkins put on 4 to 212p and North British Properties 3 to 160p, while fresh support left Laing Properties A 6 to the good at 188p. Regional A added a penny to 126p on the higher profits and property revaluation. Among smaller-priced issues, Town and City gained 1½ to 25½p snd Westminster Property 2½ to 35½p.

Rally in Oils

Recently depressed secondary Oils staged a small rally, partly on technical influences and partly on the appearance of cheap buyers. Lasmo picked up to 695p, but drifted off to close 10 up on balance st 665p, but Aran retained a gain of 14 at 444p and Berkeley Exploration one of 8 at 188p. Tricentrol touched 342p before closing a net 4 up at 338p, while Ultramar improved 6 to 344p. Candecca also gained 6, to 188p, while Humbly Grove partner Carless Capel added 3 to 418p. The Oil majors moved narrowly, British Petroleum settling 2 harder at 350p, after 352p, and Shell relapsing to unchanged at 412p, after 414p.

Further consideration of the annual profits and confident outlook prompted support for Inchcape which touched 436p before settling for a net gain of a penny at 433p. Elsewhere in Overseas Traders, Lonrho eased 3 to 103p, while the nil-paid sbed a similar amount to 21p premium. Tozer Kemsley 8 per cent Loan was unaltered at £92; the price in yesterday's issne was in error.

Investment Trusts usually ended a shade easier, althougb the isolated firm spot was apparent. Electra added 3 to 149p, while Gresham House, 200p, and Centreway Trust, 145p both gained 5; the last-mentioned announces annual results on Thursday of next week.

Shippings were selectively firm. P. & O. Deferred rose 3 to 129p, while British and Commonwealth advanced 12 to 350p and Caledonia rose 10 to 318p.

Textiles remained sluggish although Courtaulds gained the turn to 68p. Support was again lacking for Tern-Consulate however and the close was 6 lower at 30p.

Golds improve

Trading in most mining issues remained quiet yesterday, although there was some demand for gold shares. The Gold Mines index put on 5.7 to 383.8 as bullion rallied $4 an ounce to $648.5.

Demand for South African Golds was heaviest among smaller-priced issues, many of whicb reached 1980 highs; these included Stilfontein, up 26 to 906p, Doornfontein, 16 better at 843p, Elandsrand, 19 higher at 485p, and Welkom, 16 to the good at 822p.

Among the beavyweights, President Steyn gained ½ to £20¼, Western Holdings a similar amount to £34¼, St. Helena ⅜ to £19, also new highs.

South African Financials were led by Anglo American, which put on 20 to 700p on favourable Press comment. "Johnnies" gained ½ to £27½, Gold Fields of South Africa ½ to £34½, and De Beers 4 to 428p. UC Investments gained 15 to 585p after the announcement of good results.

London Financials opened reasonably firm, lost ground towards midday and then picked up to close largely unchanged. Charter Consolidated, 215p, Consolidated Gold Fields, 525p, Rio Tinto-Zinc, 465p, and Tanks, £20¼, were all unchanged.

Demand for Platinums fell away and Impala, Lydenburg and Rustenburg all lost 4 to 336p, 158p and 248p respectively.

Tins were quiet with the exception of the companies involved in the Malaysia Mining Corporation merger which gained ground. Malayan Tin Dredging was the leader with a rise of 35 to 830p, while Southern Kinta gained 15 to 340p and Southern Malayan reached a new high of 560p with a rise of 5.

Australians became much quieter than of late, with the leading gold producers losing further ground. Gold Mines of Kalgoorlie gave up 9 to 405p, North Kalgurli 2 to 88p and Poseidon 7 to 210p.

Australian Oils held steady for the most part, but Strata lost 4 to 128p; Haoma Gold and North West Mining, which both have an interest in Strata, lost 8 each to 138p and 130p respectively.

LONDON TRADED OPTIONS

Option	Ex'rcise price	Oct. Closing offer	Oct. Vol.	Jan. Closing offer	Jan. Vol.	April Closing offer	April Vol.	Equity close
BP	330	42	85	58	—	74	—	351p
BP	360	25	10	42	0	54	—	"
BP	390	14	12	88	—	—	—	"
Com. Union	160	6½	—	11	8	16	—	151p
Cons. Gold	550	32	1	46	—	08	—	524p
Cons. Gold	600	20	4	30	3	—	—	"
Courtaulds	70	0	—	10	60	13	—	67p
Courtaulds	80	3	10	6½	1	—	—	"
Courtaulds	90	2	13	3½	—	—	—	"
GEC	420	78	2	94	—	—	—	478p
GEC	460	45	34	65	—	84	a	"
GEC	500	83	95	43	—	00	—	"
Grand Met.	180	4	—	8½	28	15	—	157p
ICI	360	28	—	39	1	48	—	372p
ICI	390	18	—	20	10	28	5	"
Land Secs.	390	18	21	33	—	49	—	368p
Marks & Sp.	100	0½	2	11	—	14	—	95p
Shell	390	46	25	58	—	—	—	413p
Shell	420	28	7	42	13	52	—	"
Shell	460	14	3	26	3	35	—	"
Totals			264		120		7	
		August		November		February		
Imperial Gp.	80	3½	34	0½	—	10½	—	82p
Lonrho	94	13½	0	18	5	23	—	104p
Lonrho	104	7½	50	10	3	18	—	"
Lonrho	114	8½	95	10	a10	14	—	"
P. & O.	110	21	3	26	—	27	—	129p
P. & O.	130	5½	36	1a	a	14½	—	"
Racal Elec.	220	51	—	01	10	70	—	270p
Racal Elec.	240	31	1	46	—	57	—	"
Racal Elec.	280	8	16	20	41	33	—	"
Racal Elec.	300	2	—	11	2	24	—	"
RTZ	460	17	8	42	—	67	—	465p
Totals			242		273		—	

ACTIVE STOCKS

Stock	Denomination	No. of marks	Closing price (p)	Change on day	1980 high	1980 low
LASMO	25p	9	685	+10	830	337
Lonrho 'New'	Nil/pd.	8	21pm	−3½	30½pm	15½pm
Thorn EMI	25p	8	342	+12	342	260
Shell Transport	25p	7	412	—	432	314
Barclays Bank	£1	6	390	+2	430	327
Eng. China Clays	25p	6	112	+3	112	74
First Nat. Fin'ce	10p	6	27½	+1½	27½	9½
Grand Met.	50p	6	156	—	167	120
Imperial Group	25p	6	81	+1	89½	71½
NatWest Bank	£1	6	353	+3	390	305
Racal Electronics	25p	6	270	+9	290	175
Reed Intl.	£1	6	194	+1	215	163
BAT Inds.	25p	5	276	—	290	223
BP	25p	5	350	+2	412	320
ICI	£1	5	374	+4	402	348

OPTIONS

First Dealing	Last Dealing	Last Declaration	For Settlement
July 21	Aug. 1	Oct. 23	Nov. 3
Aug. 4	Aug. 15	Nov. 6	Nov. 17
Aug. 18	Aug. 29	Nov. 20	Dec. 1

For rate indications see end of Share Information Service

Stocks to attract money for the call included MIMS, Raglan Properties, Burmah, Turner and Newall, Aran Energy, FNFC, Shell Transport, Feedex, Endeavour, Premier Oil, Higgs and Hill, Woodside, Derritron and M. P. Kent. Puts were done in Trusthouse Forte, BP, ICI and Lonrho, while a double was arranged in FNFC.

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tues., July 29, 1980 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	Mon., July 28 Index No.	Fri., July 25 Index No.	Thur., July 24 Index No.	Wed., July 23 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (172)	280.92	+1.2	16.47	5.85	7.34	277.70	278.25	278.79	279.28	233.41
2	Building Materials (28)	264.51	+0.7	17.45	6.34	6.73	262.69	263.04	262.82	262.88	218.95
3	Contracting, Construction (27)	417.70	+0.6	22.10	5.83	5.40	415.40	415.22	413.88	415.66	347.03
4	Electricals (16)	803.55	+1.7	12.24	3.28	10.13	790.05	793.84	797.65	797.46	568.45
5	Engineering Contractors (11)	332.76	+0.9	20.41	7.83	6.15	329.95	330.24	327.90	329.47	368.57
6	Mechanical Engineering (74)	181.68	+1.2	17.46	7.31	6.97	179.51	180.00	180.50	181.49	170.03
8	Metals and Metal Forming (16)	171.85	+0.6	21.09	9.88	5.66	170.74	169.77	170.17	170.20	157.90
11	CONSUMER GOODS (DURABLE) (49)	233.70	+2.1	14.21	5.59	8.46	228.91	229.85	229.69	230.43	221.33
12	Lt. Electronics, Radio, TV (14)	349.64	+2.6	10.98	4.03	11.17	340.76	341.59	341.51	342.90	309.00
13	Household Goods (14)	99.41	+2.1	24.37	10.61	5.18	97.39	97.18	97.38	97.63	147.79
14	Motors and Distributors (21)	102.90	+0.5	22.55	9.60	5.11	102.42	103.52	103.24	103.32	108.40
21	CONSUMER GOODS (NON DURABLES) (172)	234.87	+0.7	17.64	6.88	6.85	233.31	234.10	234.77	235.24	226.15
22	Breweries (14)	285.07	+0.3	15.91	6.46	7.34	284.22	284.07	285.76	286.72	271.58
23	Wines and Spirits (5)	319.87	+0.7	18.97	6.37	6.21	317.60	317.60	315.91	309.24	321.79
24	Entertainment, Catering (17)	335.05	+0.2	17.23	6.67	7.28	334.37	335.75	335.84	337.27	290.40
25	Food Manufacturers (21)	212.77	+0.3	19.11	7.05	6.14	212.21	213.23	214.59	215.25	192.34
26	Food Retailing (13)	349.09	+0.8	12.09	4.53	9.87	346.27	346.89	347.01	344.53	294.21
32	Newspapers, Publishing (13)	439.56	+1.2	21.72	6.65	6.22	434.40	434.63	441.44	443.11	393.61
33	Packaging and Paper (15)	133.83	+1.3	26.70	9.78	4.35	132.07	132.71	136.79	137.82	119.84
34	Stores (45)	228.87	+1.1	13.79	5.49	9.46	226.30	227.72	227.52	227.96	233.05
35	Textiles (21)	125.79	—	26.13	12.56	4.66	125.78	126.32	126.37	126.62	148.93
36	Tobaccos (3)	225.85	+0.4	25.41	10.31	4.48	224.87	224.38	223.70	226.67	229.61
37	Toys and Games (5)	26.53	+1.4	8.48	14.37	27.28	26.16	26.16	26.16	26.51	64.76
41	OTHER GROUPS (99)	226.89	+0.4	16.21	6.83	7.33	225.96	226.25	227.59	226.82	191.16
42	Chemicals (16)	316.05	+0.2	19.63	7.62	5.84	315.48	315.94	318.38	319.88	263.96
43	Pharmaceutical Products (7)	228.75	−0.1	11.06	6.05	11.18	229.09	229.36	231.89	230.83	208.73
44	Office Equipment (6)	104.65	+0.6	19.35	7.93	6.03	104.04	103.82	104.15	104.42	114.54
45	Shipping (10)	597.70	+1.3	12.84	5.91	9.49	590.12	590.18	600.97	595.75	441.11
46	Miscellaneous (60)	286.02	+0.7	15.65	6.46	7.83	284.01	284.56	284.45	281.41	228.66
49	INDUSTRIAL GROUP (492)	252.00	+0.8	16.75	6.50	7.19	249.90	250.54	251.31	251.50	225.94
51	Oils (8)	791.75	+0.4	29.05	6.49	3.80	788.58	787.29	796.53	800.38	640.92
59	500 SHARE INDEX	294.83	+0.8	19.24	6.49	6.09	292.63	293.14	294.55	295.02	259.36
61	FINANCIAL GROUP (118)	231.18	+1.0	—	5.48	—	228.96	229.70	233.26	233.78	178.50
62	Banks (6)	225.40	+0.3	43.95	7.30	2.77	224.70	227.69	236.61	236.64	210.12
63	Discount Houses (10)	302.31	+1.3	—	5.87	—	298.41	298.69	298.14	303.18	253.55
64	Hire Purchase (5)	249.22	+0.6	12.43	4.02	10.48	247.79	247.06	253.41	251.56	157.40
65	Insurance (Life) (10)	231.11	+0.6	—	5.51	—	229.67	229.74	232.65	232.89	143.57
66	Insurance (Composite) (9)	156.92	+1.7	—	6.86	—	154.35	154.54	156.80	156.74	116.28
67	Insurance Brokers (9)	336.67	+1.2	13.80	6.85	9.95	332.72	332.84	343.83	344.41	232.59
68	Merchant Banks (12)	141.69	+0.3	—	5.01	—	141.20	141.65	140.56	141.01	94.59
69	Property (45)	442.08	+1.5	3.22	2.65	43.04	435.70	434.38	435.59	438.17	340.73
70	Miscellaneous (12)	141.59	−0.1	14.61	6.19	8.70	141.69	143.16	142.23	143.14	114.20
71	Investment Trusts (109)	258.65	—	—	5.45	—	258.75	262.59	263.76	264.46	200.20
81	Mining Finance (4)	241.47	—	11.18	4.09	10.79	241.47	242.85	243.84	242.39	112.28
91	Overseas Traders (19)	411.49	−0.5	12.22	7.20	9.87	413.63	408.94	415.38	418.07	319.71
99	ALL-SHARE INDEX (750)	281.76	+0.7	—	6.19	—	279.82	280.55	282.51	282.98	236.11

FIXED INTEREST PRICE INDICES

	British Government	Tues., July 29	Day's change %	xd adj. today	xd adj. 1980 to date
1	Under 5 years	106.56	−0.33	—	6.05
2	5-15 years	114.06	−0.82	—	8.31
3	Over 15 years	121.68	−0.91	—	7.78
4	Irredeemables	135.19	−0.44	—	7.24
5	All stocks	113.88	−0.69	—	7.21

FIXED INTEREST YIELDS
British Govt. Av. Gross Red.

			Tues., July 29	Mon., July 28	Year ago (approx.)
1	Low Coupons	5 years	11.43	11.32	10.28
2		15 years	11.39	11.29	10.75
3		25 years	11.39	11.29	11.21
4	Medium Coupons	5 years	12.80	12.62	12.40
5		15 years	12.70	12.55	12.34
6		25 years	12.61	12.49	12.28
7	High Coupons	5 years	12.96	12.76	12.65
8		15 years	13.07	12.92	12.65
9		25 years	12.84	12.72	12.65
10	Irredeemables		10.91	10.86	10.73

		Tues., July 29 Index No.	Yield %	Mon. July 28	Fri. July 25	Thur. July 24	Wed. July 23	Tues. July 22	Mon. July 21	Fri. July 18	Year ago (approx)
15	20-yr. Red. Deb & Loans (15)	55.52	†13.38	55.52	55.46	55.46	54.61	54.57	54.46	54.38	58.21
16	Investment Trust Prefs. (15)	50.94	13.25	50.94	50.94	50.94	51.28	51.28	51.23	51.19	50.93
17	Coml. and Indl. Prefs. (20)	68.55	13.10	68.55	68.30	68.10	68.25	68.25	68.10	67.06	72.46

† Redemption yield. Highs and lows record base dates and values and constituent changes are published in Saturday issues. A list of the constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 25p.

FINANCIAL TIMES STOCK INDICES

	July 29	July 28	July 25	July 24	July 23	July 22	A year ago
Government Secs.	71.81	72.28	72.16	72.24	72.49	[illegible]	72.24
Fixed Interest	73.57	73.65	74.07	74.08	73.93	[illegible]	[illegible]
Industrial	489.7	485.9	487.3	487.0	486.0	485.7	[illegible]
Gold Mines	383.8	378.1	383.6	377.2	372.7	361.5	[illegible]
Ord. Div. Yield	7.41	7.49	7.45	7.44	7.46	7.46	7.05
Earnings, Yld. % (full)	17.76	17.94	18.09	18.05	18.08	18.08	17.59
P/E Ratio (net) (*)	6.79	6.72	6.66	6.67	6.65	6.66	7.02
Total Bargains	20,026	20,719	23,698	23,655	22,865	24,208	[illegible]
Equity turnover £m.	—	95.17	141.13	139.95	159.23	185.21	81.73
Equity bargains total	—	15,062	17,758	16,193	15,510	17,440	[illegible]

10 am 489.1. 11 am 488.5. Noon 488.4. 1 pm 488.2. 2 pm 488.8. 3 pm 488.9.

Latest Index 01-246 8026.

*Nil=6.33.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial Ord. 1/7/35. Gold Mines 12/9/55. SE Activity July-Dec. 1942.

HIGHS AND LOWS

	1980 High	1980 Low	Since Compilat'n High	Since Compilat'n Low
Govt Secs.	78.54 (21/7)	63.85 (7/8)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	74.08 (24/7)	64.70 (18/5)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	503.1 (16/7)	406.9 (3/1)	558.6 (4/5/79)	49.4 (26/6/40)
Gold Mines	383.8 (29/7)	265.5 (18/3)	442.3 (22/5/75)	43.5 (26/10/71)

S.E. ACTIVITY

	July 29	July 28
Daily		
Gilt Edged	124.9	133.3
Industrials	96.0	113.7
Speculative	27.8	37.0
Totals	72.8	79.3
5-day Avrge.		
Gilt Edged	118.0	118.8
Industrials	109.9	114.8
Speculative	36.0	39.0
Totals	77.4	79.8

NEW HIGHS AND LOWS FOR 1980

The following shares quoted in the Share Information Service yesterday attained new Highs and Lows for 1980.

NEW HIGHS (102)

CORPORATION LOANS (2) COMMONWEALTH & AFRICAN LOANS (1) LOANS (1) FOREIGN BONDS (1) AMERICANS (1) BANKS (11) BUILDINGS (6) DRAPERY & STORES (1) ELECTRICALS (5) ENGINEERING (4) INDUSTRIALS (21) INSURANCE (3) MOTORS (1) NEWSPAPERS (1) PAPER (1) PROPERTY (17) TRUSTS (7) OIL & GAS (1) OVERSEAS TRADERS (1) MINES [illegible]

NEW LOWS (25)

BRITISH FUNDS (2) Treas. 12pc 1987 (£20 paid) Treas. 11¾pc 1991 (£20 paid)

STORES (1) Vantona

ENGINEERING (4) Alcan Aluminium; Burton & Sons; Berisfords; Central Mfg.; Dwek; Elson & Robbins

Zenith A

NEWSPAPERS (2) Intl. Thomson; Garner Scotblair

Pickles (W.); Do. A N-V

TRUSTS (2) F. & C. Eurotrust

OVERSEAS TRADERS (1) Tozer, Kemsley

RISES AND FALLS YESTERDAY

	Up	Down	Same
British Funds	[illegible]	[illegible]	[illegible]
Corpns., Dom. and Foreign Bonds	[illegible]	[illegible]	[illegible]
Industrials	[illegible]	[illegible]	[illegible]
Financial and Prop.	[illegible]	[illegible]	[illegible]
Oils	[illegible]	[illegible]	[illegible]
Plantations	[illegible]	[illegible]	[illegible]
Mines	[illegible]	[illegible]	[illegible]
Others	[illegible]	[illegible]	[illegible]
Totals	813	418	1,429

RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

Renunciation date usually last day for dealing free of stamp duty. [illegible]

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American O/S (USc) 108.9 114.6 — —

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801, Gloucester, 11, Pedder, Hong Kong
Japan Fd.* July 23 US$19.38 20.22 — —
Japan Tech. July 28 US$11.116 −0.06 —
Malay Singer. July 15 12.900 +0.274 —
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Bond Fd. July 24 US$10.952xd — 9.00
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Crossbow Fd. (Acc.) SF4.35 4.43 —
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46th Floor, Connaught Centre, Hong Kong
Jardine Estn. Tst. HK$552.27xd — —
Jardine J'pn. Fd.* HK$379.99xd — 1.0
Jardine S.E.A. US$31.13 — 1.50
Jardine Flem. Int. HK$20.03xd — 0.5
Jardine Securities HK$17.36 — —
Intl. Pac. Secs. (Inc.) HK$17.32 — —
Do. (Accum.) HK$17.96 — —

[illegible]

هكذا من الأصل

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

INSURANCE PROPERTY BONDS

OFFSHORE & OVERSEAS FUNDS

Continued on previous page

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

INTERNATIONAL BANK

CORPORATION LOANS

COMMONWEALTH AND AFRICAN LOANS

1980 High	1980 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
95	82¼	Aust. 5½pc '81-82	91	......	6.16	12.70
85¼	72½	Do. 6pc 1981-83	85¼	+¼	7.12	11.61
61	52	N.Z. 7½pc 1988-92	66½	......	10.96	12.37
81½	72	Do. 7½pc '83-86	81½	+½	9.31	12.21
96¾	88	Sth Africa 9½pc 79-81	96½	+¼	10.06	14.38
160	107	Sth. Rhod. 2½pc '65-70	153#	......	—	—
169	133	Do. 6pc 78-81	167#	......	—	—

LOANS

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

CANADIANS

BANKS AND HIRE PURCHASE

Hire Purchase, etc.

BEERS, WINES AND SPIRITS

BUILDING INDUSTRY, TIMBER AND ROADS

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CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS—Continued

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[illegible]

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[illegible]

TOBACCOS

[illegible]

PROPERTY

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Investment Trusts

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Finance, Land, etc.

[illegible]

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[illegible]

OIL AND GAS

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OVERSEAS TRADERS

[illegible]

RUBBERS AND SISALS

[illegible]

TEAS

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[illegible]

Sri Lanka

[illegible]

Africa

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Finance

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

MINES—Continued

Australian

[illegible]

Tins

[illegible]

Copper

[illegible]

Miscellaneous

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
97	52	Barymin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
17	12	Burma Mines 10p	14	$-\frac{1}{2}$	0.62	1.1	6.4
146	53	Colby Res. Corp.	140	......	—	—	—
502	290	Cons. Murch. 10c.	325	......	MQ100c	1.8	17.6
180	105	††Nemerdon 10c.	105	......	—	—	—
585	325	Northgate C$1	380	......	—	—	—
485	327	R.T.Z.	465	......	15.0	3.2	4.6
33	16	Robert Mines	24	−2	—	—	—
58	26	Sabina Inds. C$1.	29	$+\frac{1}{2}$	—	—	—
51	40	††SWCM 10p	41	+1	—	—	—
650	411	Tara Exptn. $1	440	......	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock.
- ■ Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- Φ Figures or report awaited.
- †† Unlisted security.
- ¤ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividends or forecasts.
- + Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ✣ Regional price.
- ‖ No par value.

§§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1979-80. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1980-81. K Figures based on prospectus or other official estimates for 1979-80. M Dividend and yield based on prospectus or other official estimates for 1980. N Dividend and yield based on prospectus or other official estimates for 1981. P Figures based on prospectus or other official estimates for 1980-81. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xR ex capital distribution.

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

			IRISH		
Albany Inv. 20p	32	......	Conv. 9% '80/82	£92	......
Berlam	16	......	Nat. 9¾% 84/89	£81¼	......
Edg'wtr. Est. 50p	440	......	Fin. 13% 97/02	£96¼	$-\frac{1}{4}$
Clover Croft	60	......	Alliance Gas	48	−2
Craig & Rose £1	£11	$+\frac{1}{2}$	Arnott	200	......
Fife Forge	32½	......	Carroll (P.J.)	62	......
Finlay Pkg. 5p	10	......	Clondalkin	122	......
Graig Ship. £1	£141xd	......	Concrete Prods.	70	......
Higsons Brew.	72	−1	Heiton (Hldgs.)	33	......
Holt (Jos) 25p	250	......	Ins. Corp.	260	......
I.O.M. Stm. £1	190	......	Irish Ropes	47	......
Pearce (C. H.)	465	......	Jacob	32	......
Peel Mills	45	......	T.M.G.	87	−1
Sheff. Refrshmt.	102½xd	......	Unidare	80	......
Sindall (Wm.)	142	......			

OPTIONS
3-month Call Rates

Industrials		I.C.I.	27	Utd. Drapery	6½
A. Brew	7	"Imps"	6½	Vickers	12
BOC Intl.	6	I.C.L.	14	Woolworths	5½
B.S.R.	4½	Inveresk	4		
Babcock	8	Ladbroke	13	**Property**	
Barclays Bank	34	Legal & Gen.	15	Brit. Land	7
Beecham	10	Lex Service	0	Cap. Counties	9
Blue Circle	25	Lloyds Bank	24	Land Secs.	24
Boots	16	"Lofs"	3½	MEPC	17
Bowaters	15	London Brick	6	Peachey	13
B.A.T.	20	Lucas Inds.	17	Samuel Props.	12
Brown (J.)	6	"Mams"	14	Town & City	2
Burton 'A'	10	Mrks. & Sencr	8		
Cadburys	5½	Midland Bank	26	**Oils**	
Courtaulds	8	N.E.I.	5	Brit. Petroleum	32
Debenhams	8	Nat. West. Bank	27	Burmah Oil	20
Distillers	17	P & O Dfd.	10	Charterhall	10
Dunlop	7½	Plessey	14	KCA	11
Eagle Star	15	Racal Elect.	22	Premier	13
F.N.F.C.	2¼	R.H.M.	4½	Shell	35
Gen. Accident	21	Rank Org.	15	Tricentrol	40
Gen. Electric	30	Reed Intnl.	16	Ultramar	35
Glaxo	18	Sears	5		
Grand Met.	12	Tesco	6	**Mines**	
G.U.S. 'A'	34	Thorn	23	Charter Cons.	14
Guardian	23	Trust Houses	12	Cons. Gold	40
G.K.N.	20	Tube Invest.	23	Lonrho	8
Hawker Sidd.	13	Unilever	40	Rio T. Zinc	35
House of Fraser	13	U.D.T.	5½		

A selection of Options traded is given on the London Stock Exchange Report page

"Recent Issues" and "Rights" Page 36

FINANCIAL TIMES
Wednesday July 30 1980

Iran crisis over choice of Premier

BY PATRICK COCKBURN IN TEHRAN

IRAN FACED a growing constitutional crisis yesterday as Parliament's determinatioo to impose its owo choice of a Prime Minister and Cabinet on President Abolhassan Bsni-Sadr intensified. The clergy-dominated Islamic Republican Party (IRP), wbich has a majority in the Parliament, wants one of its hard-line leaders as Premier. So far the party has shown no inclination to compromise.

A commission of seven—five from the IRP-domioated Parliament and one delegate from the office of Iran's revolutionary leader, Ayatollah Khomeini, and one from the President's staff—is now to produce a list of candidates for Prime Minister to be submitted to the President.

But even this solution was thrown into doubt yesterday when Ayatollah Khomeioi's office announced that it would send no delegate.

The crisis, the culmination of the struggle for power hetween President Bani-Sadr and the IRP, has overshadowed any discussion of the U.S. bostages whose fate, Ayatollah Khumeini has said, must he decided by Parliament.

The political paralysis of Parliameot bodes ill for any discussion of their release. Asked what would happen about the hostages, Mr. Mehdi Bazargan, the former Premler, replied: "I don't even know what's going to happen to me."

The selection of a new Government is "much more important than the hostage issue or anything else." Hojatoleslam Khamene'i, Tehran's powerful spiritual leader, said yesterday.

As a result of tortuous oegotiations over the last few weeks the IRP has already imposed Mr. Mustapha Mir-Salim, Deputy Interior Minister and a member of its central committee, on President Bani-Sadr.

But during a closed sessioo of Parliament on Monday it became clear that maoy members of the IRP did not consider Mr. Mir-Salim tough enough. Some suggest their former presidential candidate, Mr. Jalaluddin Farsi, should lead the new Cabinet despite the fact that he has said that he could not work with the President.

The bitterness of the faction fighting within the Parliament has already led to the resignation of one deputy, wbo complsined of biased procedures and intimidation. Another was persuaded to withdraw his resignation.

The Militant Clergy of Tehran, an organisation which played a very sigoificant role in opposition to the decessed Shah, has asked deputies "to stop playing party politics."

But it appears that the majority of the IRP bave decided that now is the moment to reduce Mr. Bsni-Sadr to a purely ceremonial role. Two months ago, one of their party leaders in a secretly tape-recorded, and subaequently published, conversation said that the President should have the same status "as the King of England" and should spend his time handing out medals.

Given the erosion of the President's power over the last four months, it is likely that only the intervention of Ayatollah Khomeini on his side will balance the power of the IRP and produce a Prime Minister and Cabioet which the Presideot wnuld find acceptable.

Shah's funeral, Page 3;
Editorial Comment, Page 20

'Profit by 1984' for Inmos, says NEB

By Guy de Jonquieres

THE NATIONAL Enterprise Board is confident that the microchip company Inmos will show s profit by 1984, Sir Arthur Knight, NEB chairman, said yesterday. His statement followed Mrs. Tbatcher's announcement in the Commons of a further £25m for the company.

Sir Arthur said that a recently-completed independent review of the project concluded that it was in "a very strong technical position," stronger than the NEB believed seven months ago when it first approved Inmos's request for further Government funding.

He dismissed suggestions by established semiconductor manufacturers that Inmos had come on the scene too late to succeed commercially. Some of tbese manufacturers were failing to achieve their owo targets for production of advanced integrated circuits, he claimed.

He would cootinue to seek private investmeot in Inmos as soon as feasible. He declined to set a deadline for such participation.

As well as the second £25m, the project will he eligible for at least £3m in regional development aid for building a factory in South Wales.

The Government believes that up to £14m in subsidised loans may be available from the European Coal and Steel Community fuod to aid depressed steel-making regions.

No decision has been taken on siting of the Inmos factory. Mr. Nicholas Edwards, Secretary for Wales, said that Cardiff or Newport was likely.

The factory, far advanced memory products, is expected to begin production in 1982 and provide about 2,000 new jobs by 1985.

A second plant, with 1,650 jobs by 1985, is planned.

Sir Keith Josepb, the Industry Secretary, said that he took full responsibility for the delay in approving Inmos's request for a second £25m. The delay was due to need to evaluate the viability of the project, uncertainty about the best place for it, and "a flicker of interest" by GEC.

£6m Government aid will go on Dunlop modernisation plans

BY JOHN ELLIOTT AND JOHN GRIFFITHS

THE ANNOUNCEMENT by Mrs. Thatcher yesterday of £6.1m aid for Dunlop is one of the largest packages of State industrial aid awarded to a single private sector company since the general election.

Tbe company will use the money from the Department of Industry to help it modernise and rationalise its tyre operations in the UK.

The aid has been under discussioo with the Industry Departmeot for more than 18 mootbs. The applicatioo has been regarded as highly controversial. But it was agreed recently aod is believed to bave been announced yesterday to enable the compaoy to demonstrate the support it is receiving from the Government at a time when it is facing problems internationally.

Mrs. Thatcher was told about the aid as part of the briefing she received in advance of yesterday Commons censure debate, and apparently decided to disclose it, along with the Government's support for Inmos and enterprise zones, as evidence of the Ministers' interest in helping industry.

What the Prime Minister may not have known is tbat the aid application has a chequered history. Early in 1979 the last Government's Industrial Development Advisory Board recommended tbat an application for about £23m should be turned down.

The Goveroment then considered asking the National Enterprise Board, wbich believed Dunlop needed to raise a lot of fresb equity, to take a stake in the company. Dunlop refused to agree to tbis, and since then has bad protracted negotiations with Industry Department officials about wbat it could receive.

Tbe package whicb has been agreed gives it £2.25m of selective regional aid aod £3.85m from the last Government's £150m Selective Investmeot Scheme. This scheme, aimed at iocreasing general iodustrial investmeot, closed for applications in Juoe of last year but it is still making allocations to companies like Dunlop whicb lodged requests before theo.

Dunlop says its £6.1m will help meet the cost of programmes to raise productivity and cut expenses.

Details of the programme are still being worked out with the Department, but it seems likely the focus of attention will he the Fort Dunlop plant in Birmingham. This makes a wide range of truck and other tyres and has ben earmarked for some time as needing more automation.

Dunlop's other UK tyre plants are at Washington, Co. Durham, already a fairly highly automated plant producing steel radial car tyres, and a smaller plant at Inchinnan, near Glasgow. Together they employ 8,000 people.

The latest proposals relate to a general resbaping of the company's operations which started at the end of 1978, around tbe time when the earlier request for financial aid was turned down.

Dunlop has already retrenched considerably onder the pressures of over-capacity throughout Europe, a major factor in which has been the introduction of long-life steel radial tyres.

Early last year it closed its Speke plant on Merseyside, cutting 2,400 jobs. Another 240 were lost at Inchinnan, and this year it announced it was cutting 600 at Fort Dunlop. Despite this, and a reorganisation of the tyre operations into four specialst divisions, Dunlop still lost £11m on its tyre operations last year.

Continued from Page 1

Microchip plant

said. "No one can opt out of this responsibility."

Mr. James Callaghan opened the debate with a scathing attack on the Government's economic record.

Its strategy was spreading mass unemployment, undermining industry and demoralising the country, he said.

The Opposition Leader warned the packed House: "Industry is now in danger of being sucked into a downward spiral." There was no evidence that it would be willing or able to modernise during the coming three years of recession.

"If the Government continues to dampeo down demand, industry will emerge weaker than today, not strooger."

Mr. Callaghan challenged the Prime Minister to declare what level of unemployment the Government would tolerate hefore it changed its policies. "The Governmeot must not attempt to solve the nation's problems on the backs of 2.5m unemployed."

Mrs. Thatcher should call another economic summit to take international action to stimulate trade, he said. If such a move could not he agreed, then efficient British industries would have to he temporarily protected by import cootrols while they modernised.

Such protectinn should he combined with trade and aid for the developing world, Mr. Callaghan said. "If world trade does not expand, inevitably countries will drift into a protection war.

The Labour leader urged the Government to stimulate domestic demand. Monetary targets more clearly related to the rate of inflation would allow the Government to reduce both interest rates and the exchange rate. Public spending should be increased, he said, and North Sea oil revenue useo for direct industrial assistance.

Continued from Page 1

CBI gives recession warning

nificantly. But, says the CBI, although this may be encouraging for the rate of inflation, it has not heen accompanied by a decline in iocreases of unit costs. This means more pressure on profit margins.

As many as 16 of the 44 individual industries covered by the survey report that they have accepted export orders at reduced prices during the past four months, and six expect to have to make further reductions.

Many companies' attempts to reduce the levels of stocks of finished goods have not heen successful and five consecutive CBI surveys have now shown a steadily increasing number of companies saying their stocks are more than adequate.

Brazilian debt $4bn higher than expected

By Peter Montagnon

BRAZILIAN borrowers are due to repay to international banks debt amounting to $11.28bn (£4.74bn) this year, according to the Bank for International Settlements. The total caused some surprise in Euromarkets yesterday as it is higher than expected.

It compares with Brazil's owo estimates of debt amortisation this year of $7bn. Maturing debt now accounts for much of developing countries' borrowing requirements abroad.

At least part of the discrepancy between the Brazilian figure and that oow produced by the BIS may well be due to the inclusioo io the latter of short-term interbank borrowings excluded from the Brazilian figures.

Nonetheless, the BIS disclosure underlines the tight external financial position of Brazil. Its debt maturing in 1980 is exceeded only by that of Venezuela, which is to repay $12.66bn. Venezuela is also traditionally a very short term borrower io the Euromarkets.

Large repayments are also due this year from Mexico, with $10.68bn, Spain, with $7.07bn, Argentina, with $6.95bn, South Korea, with $6.71bn, and Poland, with $6.19bn.

In a separate report, the BIS said that members of the Organisation of Petroleum Exporting Countries used their growing oil reveoues to repay $4bn in debt to commercial hanks during the first quarter of 1980.

Details, page 25.

Weather

UK TODAY

OUTBREAKS OF rain hut becoming brighter. Temperatures near normal.

London, S.E., S.W. England, Wales

Bright periods and scattered showers. Max. 22C (72F).

E. Anglia, E. Midlands, N. Wales

Mainly cloudy with showers, becoming brighter. Max. 22C (72F).

E., N.E. England, E. Scotland

Mainly cloudy with thundery showers or rain and coastal fog. Rather cool on coasts. Max. 21C (70F).

N.W., N. England, Lakes, W. Scotland, Ulster

Mainly cloudy witb thundery showers or rain. Max. 21C (70F).

N. Scotland

Bright at first, becoming cloudy with showers or longer periods of rain. Max. 17C (63F).

Outlook: Showers and sunny intervals.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	25	77	Jersey	R	16	61
Algiers	S	31	88	L.Plms.	F	24	75
Amsdm.	S	25	77	Lisbon	F	23	73
Athens	S	30	86	Locarno	F	27	81
Barclna.	S	26	79	London	C	23	73
Beirut	S	26	79	Luxmbg.	F	25	77
Belfast	S	20	68	Luxor	S	38	100
Belgrd.	R	24	75	Madrid	C	23	73
Berlin	C	22	72	Majorca	S	28	82
Biarritz	C	19	66	Malaga	S	28	82
Bmghm.	C	20	68	Malta	S	31	88
Blackpl.	S	23	73	M'chstr.	C	22	72
Bordx.	C	20	68	Milan	S	30	86
Boulgn.	S	26	79	Moscow	F	24	75
Bristol	C	22	72	Munich	S	25	77
Brussels	S	27	81	Naples	S	28	82
Budpst.	R	22	72	Nwcstl.	C	18	64
Cardiff	C	19	66	Nice	S	24	75
Cas'b'ca	S	23	73	Oporto	F	19	66
Cologne	F	25	77	Oslo	S	27	81
Cpnhgn.	S	24	75	Paris	S	26	79
Corfu	S	30	86	Prague	F	25	77
Dublin	C	16	61	Reykjvk.	S	14	57
Dbrvnk.	S	27	81	Rhodes	S	29	84
Ednbgh.	C	15	59	Rome	S	27	81
Faro	F	25	77	Salzbrg.	S	26	79
Frankft.	S	26	79	Stckhm.	S	25	77
Funchal	F	23	73	Strasbg.	S	28	82
Geneva	S	26	79	Tangier	S	23	73
Gibrltr	F	26	79	Tel Aviv	S	28	82
Glasgow	C	17	63	Tenerife	F	20	68
G'rnsey	R	15	59	Tunis	S	32	90
Helsinki	S	28	82	Valencia	S	30	86
Innsbrk.	S	26	79	Venice	S	27	81
Invrnss.	F	18	64	Vienna	S	25	77
I.o.Man	C	18	64	Warsaw	C	21	70
Istanbul	F	27	81	Zurich	C	26	79

C—Cloudy. F—Fair. Fg—Fog. R—Rain. S—Sunny. Sl—Sleet. Sn—Snow.

Merchant banker joins BNOC board

BY RAY DAFTER, ENERGY EDITOR

THE British National Oil Corporation has appointed Mr. Roy Dantzic, a 36-year-old merchant banker, as a main board director responsible for finance and planning.

His appointmeot as finance director coincides with a managerial reshuffle within the state oil corporation, whose future structure is being considered by the Government.

Mr. Dantzic, a director of Samuel Montagu, will take up his appointment on August 8. He will work closely with Mr. Philip Shelbourne, the newly appointed chairman and chief executive, who was previously chairman of Samuel Montagu.

As finance director, Mr. Dantzic will take charge of the corporation's financial, treasury, tax, insurance and planning interests.

He succeeds Mr. Alastair Morton, a banker formerly with the Samuel Montagu group, who designed from the BNOC board following Mr. Shelbourne's appointment. The two had had many disagreements.

As a result of these moves the corporation has changed the responsibilities of a number of other senior executives. Mr. Ian Clark, an executive hoard members and chairman of BNOC (Ventures), has also taken over responsibility for trading (an interest formerly headed by Mr. Morton) and public affairs.

Mr. Malcolm Ford, chairman of BNOC (Development), has been given responsibility for exploration, procurement, contracts, security, general engineering, petroleum engineering and research.

Mr. Jerry Evans, currently managing director responsible for corporate policy development and international ventures, is to take charge of personnel, legal, secretarial, administrative, computer, building, land, and pipeline matters. Mr. Evans will also hecome the corporation's secretary at the end of September on the retirement of Mr. Leslie Croydon.

The Government still has to decide whether or not it will split the trading operations from BNOC's main exploration and production interests. A statement is also expected from Mr. David Howell, Energy Secretary, over plans to issue BNOC revenue honds. It is not known whether the Government will inject private capital into BNOC.

North Sea output, Page 6
Men and Matters, Page 20

Heavy second quarter loss for Lockheed

BY IAN HARGREAVES IN NEW YORK

LOCKHEED, the U.S. aerospace company rescued from bankruptcy by the U.S. Government a decade ago, plunged into its largest three-month loss for several years in the second quarter as productivity problems with its TriStar programme mounted.

The company had to write off $70m on the L1011 TriStar programme in the quarter, taking total TriStar write offs so far this year to $128m.

These losses—which have been aggravated by a surge in interest charges caused by higber rates in the U.S. and by increased holding of parts for the TriStar as production increases, more than offset the gains from Lockheed's profitable military business.

For the quarter, Lockheed had a oet loss of $26.6m on sales of $1.4bn compared with a profit of $9m on sales of $982m in the same quarter a year earlier.

Lockheed's problem is that it is still struggling with an erratic flow of parts from its sub-contractors. This, along with labour problems, has slowed production and seriously damaged productivity.

The result is that the more TriStars Lockheed builds—the number will be up from 13 last year to 26 this year—the more money it loses.

Mr. Roy Anderson, Lockheed's chairman, said that extended lead times still existed in several areas of TriStar production, and that the expected number of labour hours per aircraft had not decreased in line with predictions.

He said it was difficult to predict when Lockheed would overcome its problems.

Mr. Anderson has however taken this line before, and there is growing douht whether the TriStar will ever become profitable and, in the longer term, whether Lockheed will be able to afford to remain in civil aviation.

As Lockheed struggles, its most powerful competitor — Boeing — is pressing ahead with new projects.

Last year the TriStar caused Lockheed losses of $188m hefore taxes, and the figure this year is likely to exceed $200m. The 12-year-old programme has cost Lockheed well over $1bn.

THE LEX COLUMN

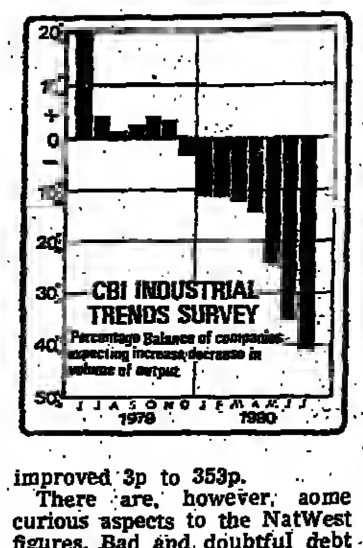
Denmark opens the bulldog market

While British companies still consider the cost of fixed-rate sterling finance to be too high, some outsiders bave no sucb inhibitions. So the sterling "Bulldog" foreign bond market, dead sioce the war, save for aome scheduled territory issues, has reopened hefore any major corporate bond offerings bave been made; Denmark is borrowing £75m for 25 years on a yield of 13¼ per cent. It would be ironical if the UK corporate borrower, long crowded out by the profligacy of British Governments, were to be kept out in the cold by foreign official borrowers.

The new issue is structured to resemble a corporate loan stock rather than a Eurobond. It is in registered rather than bearer form, aod it has been placed througb a firm of stockbrokers (Greenwells in this case) rather than directly by the hanking consortium. Bulldog hond commission rates sre lower than Yankee bond market practice would bave suggested, and mucb lower than on a Eurobond, where the horrower might end up paying 1½ per cent in fees as against ½ per cent in this case. The issue is clearly aimed at traditiooal gilt-edged investors who may be worrying about where their next dose of 21st-century stock is coming from—it is even partly paid, out of consideration for hard-pressed cash flows. And there is no nonsense about early redemption; the institutions demand a guaranteed final date.

The fall in gilt-edged yesterday narrowed the yield premium offered by the Denmark bood over a comparable gilt-edged stock to a bare 0.5 percentage points. But fund managers brought up on s dreary diet of tap stocks seem to have beeo glad to be offered a change. Hardened Eurobond investors, though, for whom Danish paper io ooe curreocy or another has long ceased to have scarcity value, felt the terms were rather tight. The real test of this new market will come when the life offices are offered hoods by one of the sovereign horrowers which tapped the London market 50 years ago—and defaulted.

Index rose 3.8 to 489.7



NatWest Bank

At £224.8m the pre-tax profits of National Westminster for the first six months follow more or less the pattern of Lloyds—they are higher than the figure for January-June, 1979, but are below the second half. They, therefore, look a good deal better than Midland's results, which failed to match up to either half of 1979, and spurred by the rise of more than a fifth in the interim dividend the share price improved 3p to 353p.

There are, however, aome curious aspects to the NatWest figures. Bad and doubtful debt provision, largely specific have more than trebled to £61.5m for the half-year. There seems to be a strong precautionary element here, rather than aoy actual wave of bankruptcies (Fodens apart) and it is hard to avoid the impression that there is some element of smoothing in the figures.

If provisions had stayed at last year's level NatWest would bave reported some £260m—the sort of figure the now much abasbed analysts were projecting before the banking results season began. But this does not mean the analysts were right, because there is another major surprise in the surge in profits of the international side, cootributing £84m against around £50m a year ago. Neither Midland or Lloyds achieved significant growth in international profits, whereas NatWest reports substantial rises in oet ioterest iocome and in foreign exchange earnings. By deduction, it follows that domestic hanking profits were well down.

If the international performance is not a fluke, there could be a further cushioo against the worsening climate for domestic hanking, while the scope for recovery at Lombard - North Central must also be useful if interest rates fall. The yield oo a ooe-fifth higher total dividend would be 8.7 per cent, and unlike Midland, NatWest is maintaining strong curreot cost cover.

British Steel

The oeed to write down £424m of projects that have yet to be completed, within the overall £1.3bo write-off of fixed assets, highlights the commercial disaster of British Steel's previous investment policy. And the auditors warn that the remaining fixed assets do not necessarily justify the hook value of £1.7bn. Mesnwhile the financial haemorrhage looks like worsening. Redundaocles and closures will cost up to £380m this year alone, not far short of the present £571m external financing limit (including last year's carry-over).

Working capital is set to rise £300m, even with a fierce squeeze on this front, as last year's strike-ioduced drop of £248m unwinds. At the same time, the outgoing chairman's cryptic reference to a £600m cost/price squeeze suggests that trading losses, if anything, could be even higher. The implicatioos are that total financing oeeds could well be in the £1hn-£1½ho region. Such a requirement may test the recently-revised £5½bn limit to overall horrowings, adding to pressure on the Government to carry out a capital recoostruction.

In the light of the group's problems, it seems peculiarly inappropriate that it nowhere provides a clear breakdown of divisional profitability, and although there are some indications in the text these are net of interest charges, which presents cooceptual difficulties for state bodies. However, it seems that Sheffield is making a clear operating profit, once the effect of the strike is stripped out, as is Scunthorpe, while the Tubes division loss is below £10m. The Sheffield and Tubes performances underline the incoming chairman's stated preference for higher valoed added production.

Wilkinson Match

Nothing has become Wilkinson Match's management so well as the price which it has negotiated for the group's absorption by Allegheny Ludlum. Shareholders are now to be offered 187p, rather than 168p, per share, which values Wilkinson at perhaps 15 times current earnings; it looks as though the last 10p is inteoded to assure Allegheny a rather less controversial ride with the London investmeot community than it enjoyed in 1978.

Most shareholders will doubtless be delighted to take the money and wish Allegheny good luck with the hybrid product of one of the most lockless conglomerate mergers ever blessed by the Monopolies Commission. That huyers of Swan Vestas matches should recently have been offered garden trowels at a discount is an eloquent testimony to the fundamental synergy that underlies Wilkinson Match.

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